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**The PSR journey
- A strategic framework for
Purchasing Social Responsibility
implementation based on German
multinational corporations within the
consumer goods industry**

Anna Maria Tauscher

PhD

2018

**The PSR journey
- A strategic framework for
Purchasing Social Responsibility
implementation based on German
multinational corporations within the
consumer goods industry**

Anna Maria Tauscher

A thesis submitted in partial fulfilment
of the requirements of the
University of Northumbria at Newcastle
for the degree of
Doctor of Philosophy

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Newcastle Business School

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Abstract

Interest in the field of Purchasing Social Responsibility (PSR) can be traced back as far as the late 1960's, however, in recent years researchers have returned to the concept as a subdivision of both Corporate Social Responsibility (CSR) and Sustainable Supply Chain Management (SSCM). Today, PSR finds itself at a critical juncture regarding its development with many remaining questions as to the scope, definition, and application in practice. This dissertation particularly analyzes the aspect of PSR application in practice. It is suggested that PSR can play an important role in assisting firms to develop sustainable and responsible business practices. However, both academia and practice still lack an answer to how organizations may implement PSR. Therefore, this study investigates the strategic implementation approach and provides a Strategic PSR Implementation Framework by combining academic knowledge on PSR with research on SSCM and CSR and with insights from practitioner interviews on PSR implementation using the Grounded Theory approach. In particular, this study aims to a) develop a more thorough understanding of PSR and its context, and b) analyze how multinational companies headquartered in Germany within the consumer goods industry that are recognized as leading in sustainability have strategically implemented PSR in their organizations.

Keywords Purchasing Social Responsibility, Sustainability, Corporate Social Responsibility, Sustainable Supply Chain Management, Ethical Behavior, Responsible Business

List of contents

| | | |
|-------|--|----|
| 1 | Introduction | 1 |
| 1.1 | Setting the scene | 1 |
| 1.2 | Personal motivation for this study | 13 |
| 1.3 | Structure of the dissertation | 14 |
| 2 | Research purpose | 17 |
| 2.1 | Research question and objectives of the study | 17 |
| 3 | Literature review | 20 |
| 3.1 | Literature on Corporate Social Responsibility | 20 |
| 3.1.1 | Introduction..... | 20 |
| 3.1.2 | Implementation drivers | 29 |
| 3.1.3 | Implementation barriers..... | 32 |
| 3.1.4 | Key strategic implementation measures | 35 |
| 3.2 | Literature on Sustainable Supply Chain Management..... | 48 |
| 3.2.1 | Introduction..... | 48 |
| 3.2.2 | Implementation drivers | 53 |
| 3.2.3 | Implementation barriers..... | 55 |
| 3.2.4 | Key strategic implementation measures | 59 |
| 3.3 | Literature on Purchasing Social Responsibility | 65 |
| 3.3.1 | Introduction..... | 65 |
| 3.3.2 | Implementation drivers | 73 |
| 3.3.3 | Implementation barriers..... | 75 |

| | | |
|---------|--|-----|
| 3.3.4 | Key strategic implementation measures | 81 |
| 4 | Discussion of literature | 101 |
| 4.1 | Overview | 101 |
| 4.2 | PSR research methodology | 104 |
| 4.3 | Implementation drivers..... | 108 |
| 4.4 | Implementation barriers | 109 |
| 4.5 | Key strategic implementation measures | 111 |
| 4.6 | Summary of identified research gaps | 117 |
| 5 | Methodology | 119 |
| 5.1 | Research philosophy and guiding theories | 119 |
| 5.2 | Methodology behind the literature review | 126 |
| 5.3 | Research design | 128 |
| 5.4 | Qualitative study | 134 |
| 5.4.1 | Application of the Grounded Theory..... | 134 |
| 5.4.1.1 | Coding | 135 |
| 5.4.2 | Application of Engaged Scholarship..... | 139 |
| 5.4.3 | Interview process and techniques | 142 |
| 5.4.3.1 | Pre-call..... | 143 |
| 5.4.3.2 | Actual call | 144 |
| 5.4.3.3 | After-call..... | 144 |
| 5.4.4 | Ethical considerations | 145 |
| 5.4.5 | Triangulation..... | 145 |

| | | |
|-----------|---|-----|
| 5.4.6 | Selection of experts | 146 |
| 5.4.7 | Approach and preparation of the three studies | 147 |
| 5.4.7.1 | Pre-study | 147 |
| 5.4.7.1.1 | Purpose, approach, and participants | 147 |
| 5.4.7.1.2 | Input for main study..... | 148 |
| 5.4.7.2 | Main study | 149 |
| 5.4.7.2.1 | Purpose, approach, and participants | 149 |
| 5.4.7.3 | End study..... | 150 |
| 5.4.7.3.1 | Purpose, approach, and participants | 150 |
| 6 | Findings | 153 |
| 6.1 | Pre-study results | 153 |
| 6.2 | Main study results | 183 |
| 6.3 | End study results | 215 |
| 7 | Discussion | 235 |
| 7.1 | Implementation drivers..... | 236 |
| 7.2 | Implementation barriers | 246 |
| 7.3 | Key strategic implementation measures | 262 |
| 7.4 | Final Strategic PSR Implementation Framework | 294 |
| 8 | Conclusion..... | 299 |
| 8.1 | Summary of research findings and research question..... | 299 |
| 8.2 | Research subquestion 1 | 302 |
| 8.3 | Research subquestion 2 | 303 |

| | |
|--|---------|
| 8.4 Research subquestion 3 | 305 |
| 8.5 Research subquestion 4 | 306 |
| 8.6 Limitations of the overall study..... | 307 |
| 8.7 Recommendations for future research..... | 309 |
| Appendices | i |
| Appendix A - Literature analysis | i |
| Appendix B - Interview guidelines | xxx |
| Pre-study: Translation from German to English | xxx |
| Pre-study: Original German questions | xxxii |
| Main study: Translation from German to English | xxxv |
| Main study: Original German questions | xxxviii |
| End study: Original German questions | xl |
| Glossary | xlii |
| List of references..... | xliv |

List of figures

| | |
|--|-----|
| Figure 1: Structure of the literature review | 15 |
| Figure 2: Contribution to knowledge | 19 |
| Figure 3: CSR, sustainability, triple bottom line | 22 |
| Figure 4: CSR implementation drivers | 32 |
| Figure 5: Barriers to CSR implementation | 35 |
| Figure 6: CSR organizational structure | 39 |
| Figure 7: Strategic CSR implementation measures | 48 |
| Figure 8: Continuous CSR improvement activities..... | 48 |
| Figure 9: SSCM activities..... | 50 |
| Figure 10: SSCM implementation drivers | 55 |
| Figure 11: SSCM norms, standards, certifications | 57 |
| Figure 12: Barriers to SSCM implementation..... | 59 |
| Figure 13: Strategic SSCM implementation measures | 64 |
| Figure 14: PSR related (sub)topics, concepts & keywords | 67 |
| Figure 15: PSR dimensions | 70 |
| Figure 16: PSR and Triple Bottom Line | 71 |
| Figure 17: PSR implementation drivers | 75 |
| Figure 18: PSR norms, standards, certifications and indices..... | 78 |
| Figure 19: Barriers to PSR implementation..... | 80 |
| Figure 20: Identified purchasing criteria | 91 |
| Figure 21: Strategic PSR implementation measures | 100 |
| Figure 22: PSR literature: research methodology | 105 |
| Figure 23: PSR literature: qualitative research - data collection | 105 |
| Figure 24: PSR literature: approach to qualitative research | 106 |
| Figure 25: PSR literature: quantitative research - data collection | 107 |

| | |
|--|-----|
| Figure 26: PSR literature: industry focus | 107 |
| Figure 27: Summary of implementation drivers | 109 |
| Figure 28: Summary of barriers to implementation | 110 |
| Figure 29: Summary of strategic implementation measures | 112 |
| Figure 30: Summary of continuous improvement activities..... | 114 |
| Figure 31: (Preliminary) framework (measures)..... | 115 |
| Figure 32: (Preliminary) framework (continuous improvement activities) | 116 |
| Figure 33: (Preliminary) Strategic PSR Implementation Framework | 116 |
| Figure 34: Activities and objectives of the three studies | 133 |
| Figure 35: Screenshot example from MAXQDA (1) | 136 |
| Figure 36: Screenshot example from MAXQDA (2) | 136 |
| Figure 37: Screenshot example from MAXQDA (3) | 136 |
| Figure 38: Screenshot example from MAXQDA (4) | 138 |
| Figure 39: Screenshot example from MAXQDA (5) | 138 |
| Figure 40: Screenshot example from MAXQDA (6) | 139 |
| Figure 41: Engaged Scholarship Diamond Model..... | 140 |
| Figure 42: Triangulation elements and procedure | 145 |
| Figure 43: Pre-study participants | 147 |
| Figure 44: Main study participants | 149 |
| Figure 45: End study participants..... | 150 |
| Figure 46: Pre-study results: PSR drivers..... | 158 |
| Figure 47: Pre-study results: PSR barriers | 160 |
| Figure 48: Pre-study results: PSR barriers and measures..... | 160 |
| Figure 49: Pre-study results (part 1) | 179 |
| Figure 50: Pre-study results (part 2) | 180 |
| Figure 51: Pre-study results (part 3) | 181 |

| | |
|--|-----|
| Figure 52: Pre-study results (part 4) | 182 |
| Figure 53: Main study results: PSR drivers | 188 |
| Figure 54: Main study results: PSR barriers | 190 |
| Figure 55: Main study results: PSR barriers and measures..... | 190 |
| Figure 56: Main study results (part 1) | 209 |
| Figure 57: Main study results (part 2) | 210 |
| Figure 58: Main study results (part 3) | 211 |
| Figure 59: Main study results (part 4) | 212 |
| Figure 60: Main study results (part 5) | 213 |
| Figure 61: Main study results (part 6) | 214 |
| Figure 62: End study results: PSR drivers | 216 |
| Figure 63: End study results: PSR barriers..... | 217 |
| Figure 64: End study results: barriers and measures | 217 |
| Figure 65: End study results (part 1)..... | 218 |
| Figure 66: End study results (part 2)..... | 219 |
| Figure 67: End study results (part 3)..... | 220 |
| Figure 68: End study results (part 4)..... | 221 |
| Figure 69: End study results (part 5)..... | 222 |
| Figure 70: End study results (part 6)..... | 223 |
| Figure 71: End study results: (preliminary) framework (part 1) | 232 |
| Figure 72: End study results: (preliminary) framework (part 2) | 233 |
| Figure 73: Overview of results: drivers..... | 238 |
| Figure 74: Overview of contribution: drivers (1) | 244 |
| Figure 75: Overview of contribution: drivers (2) | 245 |
| Figure 76: Overview of contribution: drivers (3) | 246 |
| Figure 77: Overview of results: barriers | 248 |

| | |
|--|-----|
| Figure 78: Overview of results: sources of knowledge..... | 251 |
| Figure 79: Overview of contribution: barriers (1)..... | 256 |
| Figure 80: Overview of contribution: barriers (2)..... | 257 |
| Figure 81: Overview of contribution: barriers (3)..... | 258 |
| Figure 82: Overview of results: barriers and measures | 259 |
| Figure 83: Overview of contribution: barriers and measures | 261 |
| Figure 84: Overview of results: implementation measures | 267 |
| Figure 85: Overview of contribution: implementation measures (1)..... | 290 |
| Figure 86: Overview of contribution: implementation measures (2)..... | 291 |
| Figure 87: Overview of results: continuous improvement activities | 292 |
| Figure 88: Overview of contribution: continuous improvement activities | 293 |
| Figure 89: Final Strategic PSR Implementation Framework (part 1) | 297 |
| Figure 90: Final Strategic PSR Implementation Framework (part 2) | 298 |
| Figure 91: Final Strategic PSR Implementation Framework | 298 |

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Author's declaration

I declare that the work contained in this thesis has not been submitted for any other award and that it is all my own work. I also confirm that this work fully acknowledges opinions, ideas and contributions from the work of others.

Any ethical clearance for the research presented in this thesis has been approved. Approval has been sought and granted by the Faculty of Business & Law Research Ethics Review Panel in October 2015.

I declare that the word count of this thesis is 82,168 words (excluding figures, title page, abstract, list of contents, list of figures, acknowledgments, author's declaration, appendices, glossary, and list of references).

Name: Anna Maria Tauscher

Signature:

Date: 28.07.2018

1 Introduction

1.1 Setting the scene

Multiple scandals in the area of business ethics and governance negatively impacted the confidence of consumers and society in organizations and their leaders over the years. In consequence, this increased the need for countermeasures which are clustered under the topic of Corporate Social Responsibility (CSR) (McAdam & Leonard, 2003), *“a concept whereby companies integrate social and environmental concern in their business operations and in their interaction with their stakeholders on a voluntary basis”* (European Commission, 2011, p. 3). Some of the major company scandals in the 21st century comprise e.g. employee espionage (Wal, 2008), bribery (Mukwiri, 2015), complicity in human trafficking and use of child labor (Manza, 2014), as well as the involvement of European textile companies in irresponsible and dangerous working conditions in supply chains, gaining the peak of media attention with the collapse of the Rana Plaza building in Bangladesh in 2013 (Werner, Becker, Liu, & Aridov, 2014).

However, despite these negative incidents it is argued that multiple companies have recognized the importance of CSR and subsequently incorporated CSR measures company-wide into their strategy, processes and actions. Current leading examples maintaining a strong reputation for CSR in the public eye are suggested to comprise Microsoft, Wells Fargo & Company, Johnson & Johnson, Novartis, AT&T, Procter & Gamble, Roche Holding AG, The Walt Disney Company, Whole Foods Market, Timberland, BMW, Google (FTSE4Good Global Index, 2015), and IKEA (Andersen & Skjoett-Larsen, 2009). These are preceded by the Body Shop, which maintains a leading position in CSR for more than two decades (Janssen, Sen, & Bhattacharya, 2015).

In fact, in response to the increasing focus on CSR issues, especially MNCs (multinational corporations) are more frequently and openly reporting on their CSR activities using acknowledged CSR reporting standards (Andersen & Skjoett-Larsen, 2009; Wagner, Lutz & Weitz, 2009; Wilson, 2013; Yoon & Lam, 2013).

In essence, there are various reasons why firms engage in CSR activities. Tracing back the history of the CSR concept, one will find that corporate scandals are only one example of why CSR is gaining increasing attention in academia and practice. From the point of view of practice, some firms use CSR as a strategic measure, others as a defensive act and still others due to altruistic reasons (Vogel, 2005a). Either way, not only do they improve the good of society and the environment but also help to strengthen a firm's competitiveness (Hart, 2010; Boulouta & Pitelis, 2014; Schirone & Torkan, 2012). *"It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity"* (European Commission, 2011, p. 3).

Despite a few voices neglecting that CSR has a positive effect on financial performance of organizations, including the voice of Aupperle, Carroll, and Hatfield (1985), who argue that those studies suggesting a positive correlation were either ideologically biased or followed limited methodological procedures to measure this correlation, the majority of research on CSR agrees that proactive engagement of organizations in CSR activities is indeed likely leading to an improvement of financial performance. For example, Orlitzky, Schmidt, and Rynes (2003) conducted a quantitative meta-analysis of 52 studies analyzing the relationship of corporate social / environmental performance (CSP) and corporate financial performance (CFP) and suggest that social and environmental responsibility is indeed paying off financially. A similar study by Islam, Ahmed, and Hasan (2012), comparing findings of previous empirical studies and investigating the banking sector in Bangladesh came to the same conclusion. Another study by Saeidi, Sofian, Saeidi, Saeidi, and Saeidi (2015) focused on the mediating factors of corporate financial performance. Their findings show that CSR is positively influencing a firm's financial performance through directly enhancing its reputation, customer satisfaction, and competitive advantage. Overall, the underlying premise for this positive relationship is proactive communication about CSR engagement to the companies' stakeholders, e.g. even at points of sale (Jones, Comfort, & Hillier, 2007; Ong, Ong, Ho, Liew, & Liew, 2014; Rizkallah, 2012; Basu & Palazzo, 2008; Bhattacharya, Korschun, & Sen, 2009; Martinuzzi & Krumay, 2013). Other scholars supporting the positive effect of CSR on CFP include Tate, Ellram, and

Kirchoff (2010), Porter and Kramer (2006), Green and Peloza (2011), Raman, Lim, and Nair (2012), Ruf, Muralidhar, Brown, Janney, and Paul (2001), Golini, Longoni, and Cagliano (2014), He and Lai (2013), Loureiro, Dias Sardinha, Idalina, and Reijnders (2012), Luo and Bhattacharya (2006), and Amaladoss and Manohar (2013).

In addition to this, the pressure by stakeholders to implement CSR is argued to be intense. Many firms known as leaders in their specific industries have encountered enormous losses to their reputation due to social, environmental or ethical violations in particular CSR areas (Carlisle & Faulkner, 2004). Among the most prominent examples of CSR violations and a respective loss of reputation is the case of Nike in 1996 - a child labor scandal that has been thoroughly discussed in academic business ethics literature (Scamardella, 2015; Pryce, 2002).

While the discussion within organizations continues on whether or not CSR should be implemented or how much CSR is necessary to reach desired objectives (Fryzel, 2014; Banerjee, 2014; Mirvis & Googins, 2006; Smith, 2003), organizations that have decided to incorporate CSR, struggle with the answer to how they should implement it effectively and also academia does not provide a satisfactory answer, even though the call for action to close this gap is very strong (Taneja, Taneja, & Gupta, 2011; Lindgreen, Swaen, Harness, & Hoffmann, 2011; Lindgreen, Swaen, & Maon, 2009; McWilliams, Siegel, & Wright, 2006; Roberts, 2003; Hah & Freeman, 2014).

For example in his paper "A Critical Perspective on Corporate Social Responsibility: Towards a Global Governance Framework", Banerjee (2014) outlines the structural limits of CSR and formulates the need for a global governance framework for CSR. The author suggests that, CSR limits are determined by organizational capabilities (knowledge, resources, budget), CSR assumptions of corporations, as well the political economy. In regards to CSR assumptions of corporations he supports the argument of Bakan (2004) who claims that the majority of firms are involved in CSR for a personal benefit, e.g. in form of enhanced reputation or cost reduction, establishing a profound limit of the extent of being a good corporate citizen. Furthermore, he argues that there are not enough political systems and laws, which truly challenge CSR

engagement and provide clear guidance on CSR implementation. He suggests that, while there is a great array of codes of conduct, standards, compacts, and policies, they lack accountability, monitoring and most importantly enforcement mechanisms remaining thus limited in their impact. In other words, due to the lack of transparent and accountable monitoring systems firms may only engage in CSR activities as a matter of greenwashing their credentials and thus escaping the scrutiny of their actions. Moreover, e.g. McWilliams et al. (2006) propose an agenda for additional theoretical and empirical research on CSR in their paper on strategic implications of CSR. They suggest that the guiding governmental and non-governmental instruments in form of norms, standards, and regulatory frameworks vary across cultures, nations, and lines of business in terms of the extent of CSR and implementation recommendation, creating another major struggle for organizations to implement CSR. Overall, despite the vast academic and non-academic literature on CSR and the topic's increasing importance the implementation of this concept still remains an area calling for further research.

Taking a look at research, one can see that academic literature provides sufficient information on the defining principles of CSR (Adam & Rachman-Moore, 2004; Zadek, 2004; Lindgreen et al., 2009), the importance of CSR for business and society, its benefits, its impact on financial performance, the corporate image and consumer responses as well as insights on performance measurement (Taneja et al., 2011; Searcy, 2012; Korhonen, 2003; Siegel & Vitaliano, 2007). However, less is known about how to embed CSR in an organization's infrastructure and daily business (Lindgreen et al., 2011). For example, while offering some preliminary insights into specific aspects of CSR implementation such as the inclusion of stakeholders into the CSR implementation process, even the special double issue on CSR implementation in the Journal of Business Ethics (Vol. 85, Supplement 2, 2009) is lacking an article about CSR implementation strategy. This represents the current status quo on CSR implementation in the academic literature very well by demonstrating that there is no complete academic guide on how organizations can successfully manage CSR implementation from beginning till end. *"Specifically, practitioners lack guidance on various CSR implementation issues including architecture; management; building and maintenance; repositioning;*

communication; and performance measures“ (...) and *“extant research on CSR implementation remains scarce”* (Lindgreen et al., 2009, p. 252). Therefore, *“a framework has yet to be offered that integrates the development and implementation of CSR into the organization’s strategy, structure, and culture”* (Maon, Lindgreen, & Swaen, 2009, p. 73). The response to this call for action is the objective of this study: the development of a strategic framework for CSR implementation.

However, since CSR is a rather broad phenomenon affecting multiple organizational units, research needs to concentrate on analyzing CSR in a specific context (Idowu & Leal Filho, 2009; Visser, Matten, Pohl, & Tolhurst, 2010). Thus, due to the increasing importance of CSR in the purchasing department (Krause, Vachon, & Klassen, 2009; Miemczyk, Johnsen, & Macquet, 2012; Lee & Kim, 2009; Roberts, 2003; Lau, 2011), the upstream part of the supply chain, the focus of this dissertation is on Purchasing Social Responsibility (PSR). The inclusion of CSR in purchasing is primarily labeled as Purchasing Social Responsibility. However, since the term is quite new to both research and practice (Hoejmose & Adrien-Kirby, 2012; Seuring & Müller, 2008; Lau, 2011) and does not occur often in academic literature (Walker & Phillips, 2009), other keywords comprising the same or very similar subject can be found in various articles (Carter & Jennings, 2004). Examples include *“socially responsible buying”* (Drumwright, 1994; Maignan, Hillebrand, & McAlister, 2002; Park & Stoel, 2005) or *“ethical sourcing”* (Björklund, 2010; Chen & Bouvain, 2009; Cramer, 2008). A detailed description of related keywords is presented in chapter 3.3.1.

PSR is the purchasing function’s aspect of CSR. It has similar characteristics as CSR since it is derived from the overall concept of it. Its activities, however, are very specific, overlapping only partially with the general CSR areas in organizations. PSR requires interaction with internal functions of the firm as well as with external stakeholders such as suppliers and the community (Carter & Jennings, 2004; Blome & Paulraj, 2013; Sarkis, 2003). Basically, PSR can be defined as the *“utilization of the purchasing power of public and private organizations to purchase products, works and services that have a positive social impact”* (Leire & Mont, 2009, p. 29). PSR comprises multiple dimensions, applicable across a diverse set of industries, exceeding the traditional

purchasing criteria such as cost and delivery (Lau, 2011). Due to the fact that PSR is a rather new research area, there is no widely acknowledged terminology of the PSR concept, its attributes and dimensions (Walker & Phillips, 2009). However, researchers describe the dimensions of PSR using rather comparable terms. By combining a range of >20 definitions of PSR which are explained in this dissertation in the according chapters on PSR, including e.g. the work of Harms, Hansen, and Schaltegger (2013), Lau (2011), Mont and Leire (2009a), Mont and Leire (2009b), Carter and Jennings (2004) and Carter (2004), this study proposes that PSR comprises the following dimensions: *labor and human rights*, e.g. respectful treatment of employees, assurance of humane working conditions, compliance with human rights, avoidance of child or forced labor; *health and safety*, e.g. assurance of safe and nonhazardous working conditions; *diversity*, e.g. inclusion of suppliers from minority or women-owned businesses; *environment*, e.g. proactive green sourcing and assurance of environmentally friendly activities and products throughout the upstream supply chain; *community*, e.g. active support of communities and suppliers; *ethics*, e.g. strict avoidance of using obscure contracts which may disadvantage suppliers as well as a compliant, incorrupt and transparent supplier selection process; *financial responsibility*, e.g. punctual payments, creation of transparent and structured financial standards for suppliers and for the focal organization.

Compared to previous decades, research argues that the purchasing function at MNCs is today strategically more important than it ever was due to advancing global competition and globalization possibilities such as outsourcing (Skjoett-Larsen, Schary, Mikkola, & Kotzab, 2007; Andersen & Skjoett-Larsen, 2009; Carter, Carter, Monczka, Slaughter, & Swan, 2000; Jonsson & Tolstoy, 2013). In addition to this, given the changing expectations of the society, “*companies are increasingly being held responsible for the actions of their suppliers. Subsequently, Purchasing and Supply Management (PSM) has emerged as an important factor in safeguarding organizations from being accused of irresponsible behavior*” (Goebel, Reuter, Pibernik, & Sichtmann, 2012, p. 7). Next to safeguarding organizations it is claimed that successful PSR also helps to “*develop cooperative relationships with suppliers, secures supply sources, reduces direct costs, and improves social and ethical performance. It also improves organizational image and reputation with NGOs and governments*”

(Lau, 2011, p. 20). In fact, for the last decade the attention of CEO's focuses more on the competition between supply chains and especially on purchasing, instead of competition between organizations as a whole (Andersen & Skjoett-Larsen, 2009; Kogg & Mont, 2012).

With the transition from companies owning their entire supply chain to companies outsourcing certain processes and activities across national borders, the definition of CSR has changed accordingly (Andersen & Skjoett-Larsen, 2009): it is not only expected that MNCs follow CSR guidelines within their own organizational borders, rather they should ensure CSR adherence for all their suppliers, even though they have no ownership of their providers and intermediaries (Andersen & Skjoett-Larsen, 2009; Mont & Leire, 2009a; Mont & Leire, 2009b; Krause et al., 2009; Miemczyk et al., 2012; Lee & Kim, 2009; Roberts, 2003). This strategic importance of PSR demands that all parties and activities involved in the purchasing function are managed and controlled according to CSR standards either developed by the organization itself or by other prominent guidelines. Failure to do so is suggested to harm the reputation of the organization (Pedersen & Andersen, 2006).

In fact, nowadays one can observe a positive development in the direction of a large number of MNCs having implemented social and environmental annual reports, sustainability strategies, and voluntary codes of conduct. Still, a gap between the desired intensity of CSR in organizations and the actual level can be observed across the supply chain (Andersen & Skjoett-Larsen, 2009). It is argued that management often complains about the lack of information how to strategically implement PSR into an organization, how to ensure alignment of PSR goals with overall business goals, where to begin and end, and which strategic elements trigger a successful PSR implementation (Maignan et al., 2002; Leire & Mont, 2009; Schneider & Wallenburg, 2012).

For example, Leire and Mont (2009, p. 28) point out that the insufficient knowledge of PSR activities *"pertains to how they can be implemented in an organization. There seems to be a clear need for assistance with the process of developing such a system"*. This is also supported by Maignan et al. (2002, p. 1) who emphasize that *"while an increasing number of business leaders have recently acknowledged the importance of corporate social responsibility at the*

firm level, most of them are still uncertain about the implications of this concern for the purchasing function. Even when they recognize the relevance of corporate social responsibility, many purchasing managers do not know how to concretely (...) include social issues into purchasing decisions.”

In essence, scholars agree that due to multiple vague definitions of PSR and a lack of clear implementation guidance, there are still many firms lacking PSR, unwillingly violating it or even putting themselves in situations that might strongly harm their reputation. Many purchasing managers do not know how to incorporate PSR into their operations and only a few organizations manage CSR in their purchasing division following a clear strategy and structure (Maignan & Ferrell, 2004; Maignan et al., 2002). This knowledge gap is not only visible in the business world but also in academia. Currently, in academic literature there is only scant research on how to strategically implement PSR in an organization, providing rather fragmented information and not one exhaustive implementation guide. At the same time, the call for action to close this research gap and develop a PSR implementation guide is very strong (Leire & Mont, 2009; Boyd, Spekman, Kamauff, & Werhane, 2007; Andersen & Skjoett-Larsen, 2009; Lau, 2011; Maignan et al., 2002).

Among the key academic literature on PSR implementation one will find a study by Lau (2011), as well as two studies by Leire and Mont. In his study “The Implementation of Social Responsibility in Purchasing in Hong Kong/Pearl River Delta” Lau (2011) examines how a multinational buying office in the Hong Kong area has implemented PSR using a case study approach. In this article he further briefly discusses the historic development of PSR, its importance to organizations and the society, its relation to the greater concept of CSR, as well as the benefits, drivers of PSR implementation and challenges of this undertaking from the perspective of organizations. He argues that companies view the PSR dimensions environment, ethics, health and safety, and human rights as the core / primary dimensions in PSR implementation in comparison to the non-core dimensions diversity, community and financial responsibility which may be bundled at the corporate CSR level. He further suggests that the benefits of implementing PSR for organizations comprise a reduction of operating costs, an improvement of risk management, an enhanced reputation, an increase in sales, customer loyalty and productivity, as well as the ability to

attract new and retain existing employees. According to the author, the challenges of implementing PSR include the costs of monitoring compliance, communication with less educated suppliers, subcontracting, as well as conflicts resulting from different codes of conduct. Looking at the findings regarding how the organization used in his case study has implemented PSR, the author provides a rather limited answer in form of an operational model depicting the regular sourcing process involving one PSR consideration only, namely the integration of PSR factory audits into the sourcing process.

Among the two studies by Leire and Mont is “The Implementation of Socially Responsible Purchasing”. Here, the authors provide an overview of the current limited PSR practices and experiences of the front-running PSR companies. Based on empirical and secondary data the authors develop a model of the PSR process, suggesting that PSR implementation involves five key steps, namely the development of internal policies, the development of PSR purchasing criteria - however limited to social issues -, the application of assurance practices, management of supplier relations, as well as building of internal capacities. In their other paper “Exploring Socially Responsible Purchasing in Swedish Organizations”, Mont and Leire empirically examine how PSR is addressed in 20 Swedish public and private organizations. While they solely focus on the social dimension of PSR in their study, they further analyze the drivers of and barriers to PSR implementation. Their results are based on a literature analysis and interviews. As for the drivers of PSR implementation, the authors suggest the following external drivers triggering organizations to implement social aspects into purchasing practices: pressures from consumers, NGOs, investors and suppliers. Internal drivers are suggested to comprise the aim to build trust and increase commitment, enhance organizational learning as well as the competitive advantage and reputation, risk and cost reduction, as well as the improvement of supplier performance. Among the key barriers for socially responsible purchasing the authors mention the difficulty to justify the costs of implementation to the Board of Directors, lack of top management commitment, costs of implementation, lack of training and lack of information on PSR and its implementation, as well as lack of resources, legal uncertainty of what is required and expected in regards to PSR, and difficulties in determining how to verify supplier PSR compliance beyond first tier suppliers. Furthermore,

the authors develop a generic model for implementing PSR comprising the following steps: approval of the Board of Directors / CEO to implement this concept, knowledge development and training of management on the topic, development of a code of conduct, employee training on the new requirements, clarification of objectives, development of audit checklists and screening measures, decision upon monitoring PSR compliance of suppliers, as well as the decision upon communication and benchmarking activities.

Overall, corresponding to the knowledge gap, the objective of this dissertation is to respond to the call for action to further investigate PSR implementation by combining academic knowledge on PSR implementation with on the one hand the corresponding research in the Sustainable Supply Chain Management (SSCM) and Corporate Social Responsibility area - as PSR issues arise from the concepts of CSR and SSCM - and on the other hand with insights from practitioner interviews with subject matter experts to

- a) develop a more thorough understanding of PSR and its context
- b) analyze how multinational companies (headquartered in Germany within the consumer goods industry) that are recognized as leading in sustainability have strategically implemented Purchasing Social Responsibility in their organizations
 - i. identify the drivers of PSR implementation
 - ii. identify the barriers to PSR implementation and the measures how companies may overcome them
 - iii. identify the key strategic PSR implementation measures
 - iv. gain an understanding how these organizations maintain their leading position in PSR
- c) ultimately develop a strategic framework for PSR implementation

In other words, the strategic framework for PSR implementation is first shaped by the limited academic knowledge on PSR implementation enhanced by CSR and SSCM insights and supplemented by knowledge gained from practice, resulting in a complete model. The intensive exchange with subject matter experts follows the Engaged Scholarship theory by Van de Ven (2007) aiming to overcome the growing concern of research and practice disconnecting. The study is of qualitative nature.

The focus of this dissertation is on the consumer goods industry. This is motivated by research in which the majority of existing PSR literature, as demonstrated in chapter 4.2., focused on consumer goods allowing the author to make connections to previous research. In addition to this, industry specialization is required, following Maloni and Brown (2006, p. 35) who emphasize that *“one model of supply chain CSR does not fit all, and thus, additional research is needed to explore industry specific CSR issues”*. Furthermore, as briefly indicated in the previous paragraphs, the study focuses on private procurement of companies rather than on public procurement, as multiple procurement scholars suggest that public procurement strongly differs from the purchasing activities of private firms (Thai, 2001; Erridge, 2006; Snider, Halpern, Rendon, & Kidalov, 2013). In addition to this, emphasis is put on purchasing of physical goods, as the purchase of services differs from that of products (Fitzsimmons, Noh, & Thies, 1998; Axelsson & Wynstra, 2000). Moreover, research concerning affiliated topics such as reverse logistics and remanufacturing are excluded due to the specific focus of this study on purchasing - the upstream part of the supply chain - and not on the downstream activities of the product lifecycle.

In scope of this study are MNCs. This is because research suggests that the infrastructure and operations of large suppliers vary less than the ones of smaller companies (Spence & Bourlakis, 2009) and research demonstrates that CSR and CSR activities in supply chains - the overarching area of PSR - are more common among large organizations (Andersen & Skjoett-Larsen, 2009; Baden, Harwood, & Woodward, 2011; Bondy, Moon, & Matten, 2012; Russo & Tencati, 2009; Cruz & Boehe, 2010; Jenkins, 2006; Murillo & Lozano, 2006; Vazquez-Carrasco & Lopez-Perez, 2013). Thus, the focus on MNCs appears to be more suitable for extracting satisfactory information.

The target MNCs providing subject matter experts for this study are headquartered in Germany. The reason for this is based upon the fact that comparing multiple countries may be misleading, due to diverse economic and cultural conditions (Feldmann, 2007). Hence, a specific region had to be chosen and Germany is acknowledged as the strongest economic power in the European Union (Klinnert, 2015) and Europe's leading exporter (Haft, 2015), relying strongly on the purchasing function. When investigating supplier

management of Germany's largest stock companies, e.g. Harms et al. (2013) suggest that about half of the German stock companies source manufacturing parts and other supplies from more than 50 countries and 5000 suppliers, and another 25% source from more than 1000 suppliers. The majority of the suppliers are located in emerging and developing countries (72%). While this data indicates complex international purchasing structures, at the same time it provides an excellent basis for investigating PSR. Next to the economic and purchasing conditions, also from the cultural perspective, Germany serves as a good fit for the purpose of the study as the underlying conditions make it difficult for firms to adhere to PSR and yet there are plenty of German firms excelling in this area.

In Germany price plays the primary role in consumer purchasing decisions and the demand for low-cost products is increasing, leading to heavy price wars and mutual underbidding between companies. If, for example, Aldi starts to sell a set of 10 eggs for 69 cents, on the next day Kaufland demands the same or lower price for this product. These price wars often even go below the costs of production (Bormann, Deckwirth, & Teepe, 2005). The cheap-at-all-costs strategy, which is known in Germany as 'stinginess is awesome' mentality, flourishes among businesses and consumers, despite the increased sustainability awareness and growing call for CSR (Völckner, 2006; Deutsche Gesellschaft für Qualität, 2015; Greenpeace, 2015). Famous examples for price advertisement include Europe's largest electronics specialty chain Media-Saturn-Holding's "Geiz ist geil (stinginess is awesome)" slogan, or Edeka's - the largest German supermarket corporation - "gut und günstig (good and cheap)" product line. While the continued erosion of prices and the strong consumer focus on the price aspect may be caused by multiple issues ranging from political strategies to strategic business reasons (Bormann et al., 2005) what happens in Germany is also often perceived as an outward symbol of an inner moral decline in society - a decline of values, quality, shopping pleasure and covetousness for products (Michael, 2004). As a response, producers and focal firms are typically forced to lower the sales prices of their goods by e.g. reducing their operating costs to a minimum. This circumstance not only affects CSR issues, such as lowering employee wages to a minimum or laying off employees, but also mainly covers passing on the lower sales price to

suppliers, and unfortunately these undertakings are often at the expense of PSR. Firms with a high buying power over their suppliers can dictate and negotiate prices on a regular basis to achieve the lowest possible price. This in turn sets suppliers under intense cost pressure which they often pass on to the workers and the environment by either not following or severely violating PSR aspects (Bormann et al., 2005). In fact, research on SSCM and CSR shows that consumer disinterest and insensitivity towards sustainable products and the primary focus on price aspects often hinder firms to implement PSR as costs of PSR usually cannot be passed on to the consumers and companies want to avoid a decrease in their margins (Orsato, 2006; Walker & Jones, 2012; Valmohammadi, 2011; Duarte & Rahman, 2010; Lichtenstein, Drumwright, & Braig, 2004).

1.2 Personal motivation for this study

The personal motivation to investigate PSR implementation is deeply rooted in the author's professional experience. Her first employer was a company supplying consumer goods from Asia. During this time she visited a great array of suppliers and their factories in Asia and oftentimes encountered disastrous human and environmental conditions. When discussing with the management how to improve these supplier conditions, she was turned away. The reasons provided were a) that her employer did not know how to tackle this issue and b) did not feel as it was the focal firm's obligation to support suppliers beyond the obligations set out in the purchase and supply contract. Since then the topic of PSR has accompanied her for many years, partly because in her later position as a management consultant specialized in mergers & acquisitions she also had to assess the value of organizations either violating PSR or being perceived as leaders on this matter. As such, she understood that there are indeed measures that companies may apply to improve supplier conditions and once she decided to pursue her academic career, it was quite clear to her that in case there is a research gap on implementing CSR in purchasing this would need to be her research topic.

1.3 Structure of the dissertation

The first chapter, **introduction**, sets the stage and provides an explanation of the study's emphasis, the author's personal motivation for this study and the structure of this document.

Thereafter follows the chapter **research purpose**, detailing the research gap, the research question, the study's relevance for academia and practice and subsequent call for action as well as the objectives and contribution of the study, followed by the next chapter: the **literature review**.

The **literature review** contains three major subchapters: Literature on Corporate Social Responsibility, Literature on Sustainable Supply Chain Management, and Literature on Purchasing Social Responsibility. Each of the three subchapters includes an introduction, a section on the drivers and barriers to implementation and a section on key strategic implementation measures.

The reason for extending the search for academic literature on Purchasing Social Responsibility up to literature on Corporate Social Responsibility and Sustainable Supply Chain Management is based on the fact that PSR is derived from the overall concept of Corporate Social Responsibility (Carter & Jennings, 2004). Next to its relation to CSR, PSR, being the upstream part of the supply chain, is also derived from the literature on Sustainable Supply Chain Management - a subconcept of CSR, which is well established in the academic literature (Dani, 2015; Idowu & Louche, 2011). As such, a great array of research concerning PSR is also reflected in the literature on SSCM and on CSR, not unlikely due to the fact that multiple scholars are suggested to use the terms CSR, SSCM, PSR and their related keywords interchangeably (Taneja et al., 2011; Hacking & Guthrie, 2008). As such, covering literature on CSR and SSCM ensures that all relevant articles are found. Overall, the inclusion of literature on CSR and SSCM aims to supplement the scarce academic knowledge on PSR barriers, drivers, and key strategic implementation measures.

The literature review is followed by the chapter **discussion of literature**, in which the current literature landscape is brought together, analyzed, and put into context. A particular focus is placed on key strategic implementation

measures derived from PSR, CSR, and SSCM literature with the aim to create a first idea of a Strategic PSR Implementation Framework.

After the discussion of literature chapter follows the **methodology** chapter, which describes the research philosophy and guiding theories, the methodology behind the literature review, as well as the overall research design. This chapter further details why the study follows the qualitative research approach and involves a pre-study, main study, and end study consisting of interviews and focus groups. Furthermore, this chapter describes the application of the Grounded Theory and Engaged Scholarship, as well as outlines the approach, and preparation of the pre-study, main study, and end study.

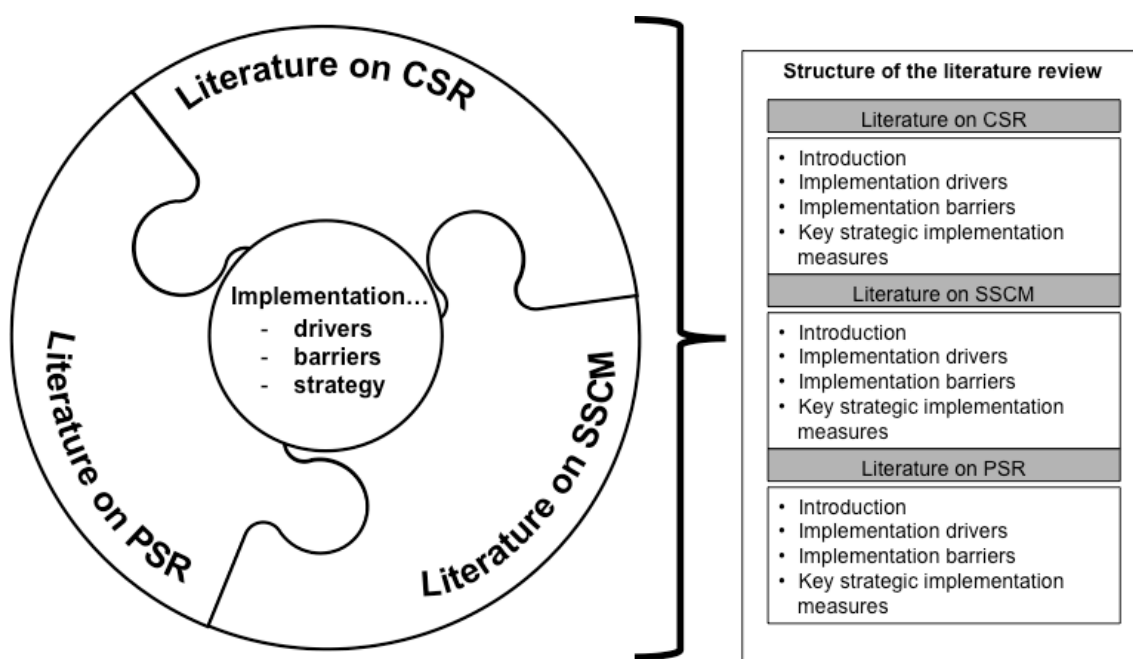


Figure 1: Structure of the literature review

The next chapter is **findings**, in which all findings are cumulatively explained with the aim to demonstrate major implications and provide a holistic overview and summary of all findings.

In the penultimate chapter **discussion**, findings are critically examined, positioned within existing literature and brought together in a theoretically grounded Strategic PSR Implementation Framework. In this chapter, the research question and subquestions are discussed.

The last chapter, **conclusion**, provides a summary of the research findings and the contribution to knowledge and practice. It further reveals the limitations of the study, outlines which aspects remained open, as well as discusses implications for future research.

2 Research purpose

2.1 Research question and objectives of the study

The literature review shows that research on PSR and its implementation is scant and has many shortcomings, providing rather fragmented information and not one exhaustive strategic implementation guide. This may be due to the fact that the topic of PSR is still a rather new one to both research and practice and does not often occur in academic literature. At the same time, the literature analysis also demonstrates that PSR is gaining increased importance within organizations and academia and the call for action to further research this topic and especially the issue of PSR implementation is very strong. In fact, multiple scholars call for research aiming to develop a strategic PSR implementation framework. This would not only provide practitioners with guidance on how to implement PSR but also serve as a benchmark to evaluate and compare practices with firms that progressed further than others. Furthermore, such research would contribute to and bring forward academic knowledge in this area. As e.g. Lau (2011, p. 39) recommends, "*Future research needs to develop models and frameworks for PSR implementation*". Moreover, research in this area aims to broaden existing academic literature on the overarching topic of business ethics by exploring the specific issue of PSR.

Thus, as outlined in the introduction of this thesis, this study aims to combine academic knowledge on PSR implementation with on the one hand the corresponding research in the Sustainable Supply Chain Management and Corporate Social Responsibility area - as PSR issues arise from the concepts of CSR and SSCM - and on the other hand with insights from practitioner interviews with subject matter experts to

- d) develop a more thorough understanding of PSR and its context
- e) analyze how multinational companies (headquartered in Germany within the consumer goods industry) that are recognized as leading in sustainability have strategically implemented Purchasing Social Responsibility in their organizations and:
 - i. identify the drivers of PSR implementation
 - ii. identify the barriers to PSR implementation and the measures how companies may overcome them

- iii. identify the key strategic PSR implementation measures
- iv. gain an understanding how these organizations maintain their leading position in PSR
- f) ultimately develop a strategic framework for PSR implementation

In order to meet these objectives, the following research question and subquestions were formulated:

Research question: How have German multinational corporations within the consumer goods industry that are recognized as leading in sustainability, strategically implemented Purchasing Social Responsibility?

Subquestion 1: What are the drivers of PSR implementation?

Subquestion 2: What are the barriers to PSR implementation and how may companies overcome them?

Subquestion 3: What are the key strategic implementation measures?

Subquestion 4: How do these organizations maintain their leading position in PSR?

While a first idea of the drivers, barriers, key strategic implementation measures and continuous improvement activities was identified in academic literature, the qualitative study aims to confirm, verify and adjust literature findings as well as add further elements that have not been encountered during the analysis of literature. Furthermore, as literature on PSR implementation is scarce, the information identified on the research question and each of the subquestions is complemented by knowledge from literature on CSR and SSCM. As such, this study aims to verify whether the elements from these two fields of research can all be transferred to the case of PSR implementation, by supplementing existing knowledge with knowledge generated from the qualitative study. Next to answering the research question and subquestions, this study aims to use the results from academic literature and qualitative study to finalize the Strategic PSR Implementation Framework. To sum up, Figure 2 depicts the contribution of this study in terms of knowledge.

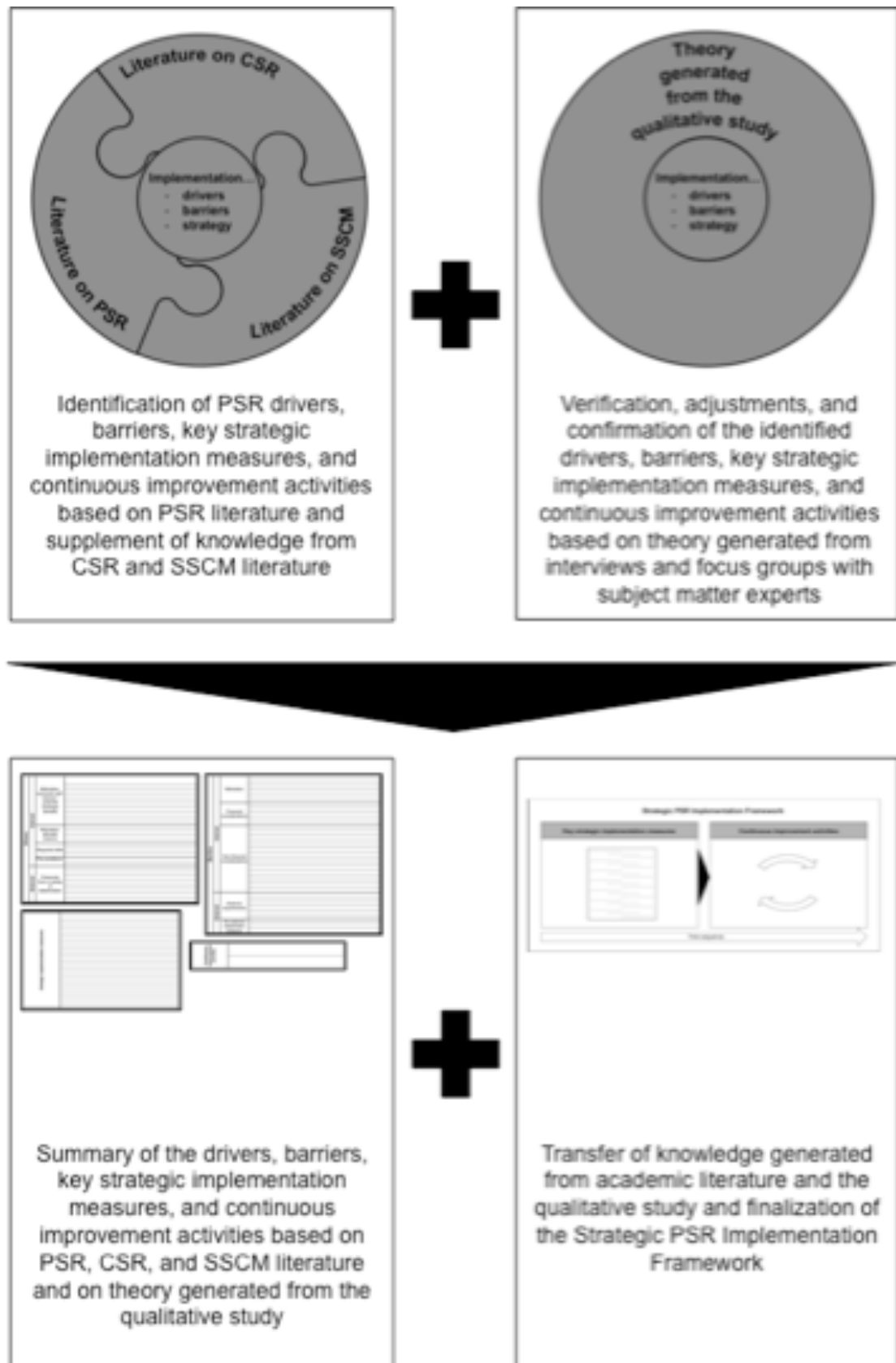
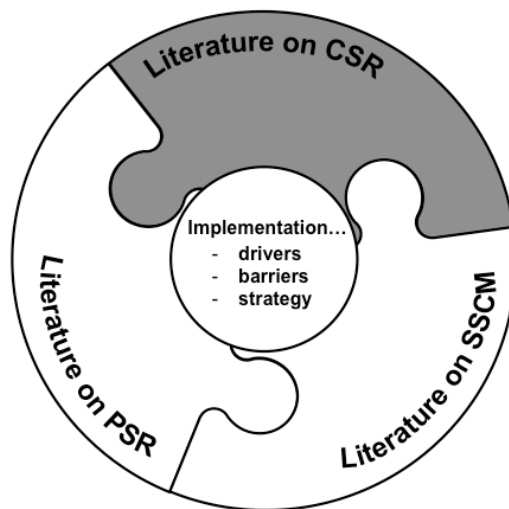


Figure 2: Contribution to knowledge

3 Literature review

3.1 Literature on Corporate Social Responsibility

3.1.1 Introduction



The concept of CSR has its roots prior to World War II. However, key thinkers, definition additions, and criticism emerged mainly in the subsequent decades (Carroll & Shabana, 2010). In general, since the beginning of the 21st century - not unlikely due to the various corporate scandals - the focus on social issues is growing - both in academia and practice. The variety of CSR

definitions, its scope, methods, and examples has increased tremendously, while the concept itself emerged from being seen as a necessary burden, a philanthropic duty, to being a fully integrated part of the core business (Blowfield & Murray, 2011; Korhonen, 2002; Carroll, 1979; Matten & Moon, 2008). Despite the fact that there is no single CSR definition that integrates every aspect, what existing definitions have in common is the expressed general obligation of organizations to enhance the well-being of the society and environment (Andersen & Skjoett-Larsen, 2009; Carroll & Buchholtz, 2000; Wan-Jan, 2006; Dahlsrud, 2006; Roberts, 2003; Taneja et al., 2011; Duarte, Mouro, & Goncalves das Neves, 2010; Argandona & Von Weltzien Hoivik, 2009; Baden & Harwood, 2013; Blowfield & Murray, 2011; Revathy, 2012; Aguinis & Glavas, 2012; Johnston & Beatson, 2005; Lenssen, Peters, Miller, & Kusyk, 2011; Vaaland & Heide, 2008).

In general, this lack of a clear and acknowledged common definition of CSR is most likely the result of the concept's unclear boundaries, not unlikely due to the fuzziness of the term CSR itself (Lantos, 2001; Vogel, 2005a; Tan, 2009). For example, Kitchin (2003) in his work "Corporate social responsibility: A brand explanation" proposes a taxonomy of CSR by explaining each word, namely "corporate", "social", and "responsibility" in detail before combining these three

into one picture. He argues, that the terms “social” and “(corporate) responsibility” are rather vague, creating these various understandings and perspectives on CSR. The author emphasizes that the word “social”, which is derived from its relation to society, contains several possibilities for its meaning. One may think that society is described as everyone, who is not a direct stakeholder and thus not directly affected by the business, excluding former and current customers, suppliers, shareholders, employees, partners, management, etc. One could also perceive this term as the category demonstrated in business plans and marketing plans referred to as “others”. The question is though, who would be in this category? Thinking about a national post office company for example, it is rather difficult to imagine there would be any “others”. Taking a look at the term “responsibility” in the corporate context, it is also rather problematic to assess what organizations should be responsible for, e.g. their direct or also indirect actions, and how far responsibility should go. Especially, as it is suggested that perceptions of responsibility and commonly held morality vary among cultures and may change from one day to the next, even with a rather homogenous national culture (Chu & Lin, 2013; Kitchin, 2003; Kampf, 2007; Matten & Moon, 2007; Svensson & Wagner, 2012).

Turning to the issue of CSR implementation, the fuzziness of the CSR term and lack of clear definition creates difficulties in strategy formation for CSR implementation and potential participants in CSR may perceive CSR as a doubtful or ambivalent activity, neglecting potential benefits of this concept (Taneja et al., 2011). However, several authors suggest that an absolute definition of this concept is difficult to carve in stone due to constantly changing conditions of the business world that shape our perception of a firm’s obligations to its stakeholders (Hill, Stephens, & Smith, 2003; Snider, Hill, & Martin, 2003). In addition, firm attributes such as size, culture, economic sector, and profitability are believed to have an influence on the confusion about a clear definition due to the fact that firms have difficulties to derive strategic and operational implications for their unique situation (Carroll & Shabana, 2010).

Despite the unclear definition of this concept, what is relatively clear is the scope of CSR, which is based on the three dimensions: people, planet, and profit, which refer to the triple bottom line (Dyllick & Hockerts, 2002). They are often translated into ‘social, environmental, and economic responsibility’. The

idea behind the triple bottom line, as originally defined by Elkington (1997) is that firms should be evaluated by their social and environmental activities that are to be conducted voluntary and not by legal requirement, next to the evaluation of their financial performance (Kotler & Lee, 2005). The triple bottom line concept is often used as a substitute for the term “sustainability” which is famously defined by the Brundtland Commission as a “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*” (World Commission on Environment and Development, 1987, p. 41). Generations are classed under three dimensions: environmental, economic and social (Dyllick and Hockerts, 2002). Hence, the concepts CSR, sustainability, and the triple bottom line are intertwined.

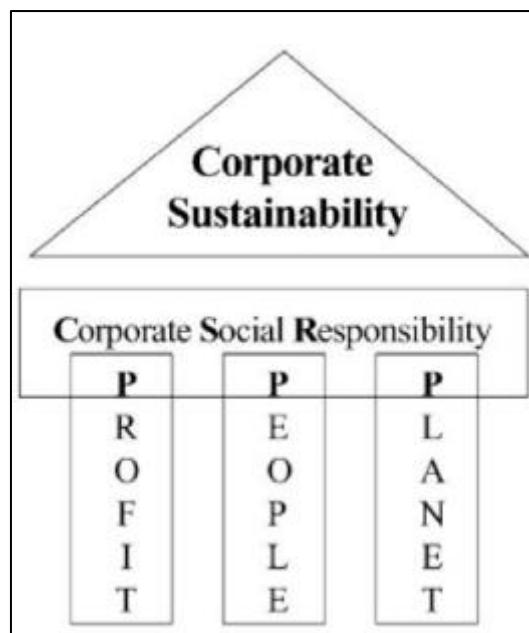


Figure 3: CSR, sustainability, triple bottom line (Van Marrewijk, 2003)

The economic area of CSR includes fair (business) contracts and wages, financial transparency (Castka, Balzarova, Bamber, & Sharp, 2004; Park-Poaps & Rees, 2010), as well as correct payments of taxes and customs (Kumar, Palaniappan, Kannan, & Shankar, 2014).

The social area primarily involves investments in human capital (Min & Galle, 2001), such as the creation of an adequate working environment, including assurance of health & safety standards for employees (Wokutch, 1992; Lee &

Kim, 2009; Klassen & Vereecke, 2012), avoidance of underage / child labor (Winstanley, Clark, & Leeson, 2002; Xu, Kumar, Shankar, Kannan & Chen, 2013; Baskaran, Nachiappan, & Rahman, 2011; Kumar et al., 2014), lifelong learning options for employees, work force diversity and recruitment of minority employees (Lee & Kim, 2009; Worthington, 2009), equal pay and career prospects for men and women (Carter & Jennings, 2002a; Xu, Kumar et al., 2013; Kumar et al., 2014), good stakeholder relations e.g. with suppliers, the community and the consumers, compliance with human rights (Castka et al., 2004; Lund-Thomsen & Lindgreen, 2014), and philanthropic donations (Wokutch & Mallot, 1998).

The environmental area comprises green production, management of environmental impacts and natural resources (Fryxell & Robert, 1997; Castka et al., 2004; Min & Galle, 2001), development of green purchasing and green supply chains (Min & Galle, 2001; Lee & Kim, 2009; Maloni & Brown, 2006; Zhu, Sarkis, & Lai, 2011; Chen, 2005; Diabat, Kannan, & Mathiyazhagan, 2014) as well as avoidance of improper waste disposal and hazardous material during production (Andersen & Skjoett-Larsen, 2009; Beske, Koplin, & Seuring, 2008;

Overall, one can see that CSR is a wide field comprising multiple activities and many NGOs and governmental bodies demand that businesses must balance their activities among all areas. From the practical perspective however, mastering excellence in all areas and activities seems almost impossible and in fact not all of these activities are suitable for every firm as e.g. Mirvis and Googins (2006) outline in their conceptual paper in which they develop a framework for stages of corporate citizenship. Hence, a great array of scholars including Baumann-Pauly, Wickert, Spence, and Scherer (2013), Zadek (2004), Mirvis and Googins (2006), and Van Marrewijk and Werre (2003) suggest that firms need to clarify the optimal set of activities they want to engage in and assess the desired level of implementation in each area and activity. For example, Van Marrewijk and Werre (2003) suggest that due to the great array of different business contexts and organizational values, a one-solution-fits-all concept of CSR is not plausible and thus propose a corporate sustainability framework demonstrating six types of organizations at different CSR development stages and forms. With this model they aim to show the variety of CSR interpretations and ultimately suggest that organizations need to formulate

their own individual CSR agenda based on their context and understanding of CSR. But why should firms implement CSR at all? Since the early stages of the discussions surrounding CSR there have been intensive debates about CSR benefits and possible drawbacks for both organizations and the society. Depending on the school of thought and the general motivation of managers implementing CSR, the view on CSR changes from being a costly undertaking, an obligation to fulfill due to social or governmental pressure, a requirement for long-term profits or simply an altruistic duty (D'Amato, Henderson, & Florence, 2009; Vogel, 2005a; Kotler & Lee, 2005; Lyon & Maxwell, 2008).

Focusing e.g. on CSR's costs and financial long-term profits, one will find extensive literature on CSR's business case and its impact on financial performance, on access to capital as well as on financing and investor relations (McWilliams & Siegel, 2000; Porter & Kramer, 2006; Van Dijken, 2007; Carroll & Shabana, 2010; Kurucz, Colbert, & Wheeler, 2008; Cheng, Ioannou, & Serafeim, 2014). Following Carroll and Shabana (2010, p. 92), who conducted a literature review on the business case for CSR, they propose that a CSR business case is equivalent to a *“business' justification and rationale; that is, the specific benefits to businesses in an economic and financial sense that would flow from CSR activities and initiatives”*. Their findings show that a CSR business case depends on the firm's CSR measures and strategy, meaning that benefits of this concept are rather heterogeneous. In general, their literature review suggests that there are more arguments and articles in favor of CSR's positive effect on firm financial performance which are often expressed through a great array of mediating variables such as e.g. competitive advantage, cost and risk reduction, reputation, employee satisfaction, or stock price. For example, Van Dijken (2007) uses the mediating variable “stock price” to investigate financial effects of CSR and comes to the conclusion that stocks from companies recognized as leading in CSR clearly outperform their peers and the market over long periods of time.

Overall, a great array of scholars suggest that there is no standard business case for CSR, meaning that organizations use different tools and arguments to justify a CSR strategy, implementation and its extent (Carroll & Shabana, 2010). In academic literature one will find the following main aspects a CSR business case may rely on: a calculation of the reputational impact, an estimation of the

overall costs versus the reputational benefits, an estimation of the impact on the competitive advantage, estimations on cost and risk reduction (Zadek, 2004; Carroll & Shabana, 2010; Kurucz et al., 2008), impact on access to capital, as well as impact on financing and investor relations (Heslin & Ochoa, 2008).

To provide a clearer picture on a prominent aspect of a CSR business case, namely on firm reputation, which is defined as “*the opinion that those with an interest in the company (stakeholders) hold about the company*” (Roberts, 2003, p. 160), is one of a firm’s most important assets. It is difficult to establish and very easy to lose (Yu & Singh, 2000; Roberts, 2003). The good reputation of a company improves the value of the firm and its entire business activities (Mackey, Mackey Tyson & Barney, 2007). A bad reputation, on the other hand, has a negative effect on the perceived value of a company’s products and may even draw further scorn (Dowling, 2002). Hence, in order to maintain a good reputation, it is argued that organizations need to be in line with the main stakeholders’ understanding of highly fair business (Roberts, 2003).

The benefits of CSR engagement regarding the reputation of a firm are suggested to include a higher customer trust and thus the likelihood to choose products from CSR leaders over products from firms that are not engaged in CSR, leading to a higher competitive advantage and ultimately to higher profits (Tate et al., 2010; Fombrun & Shanley, 1990; Kurucz et al., 2008; Yu, 2008; Bhattacharya & Sen, 2004; Fastoso, Marquina, & Morales, 2012; Homburg, Stierl, & Bornemann, 2013; Becker-Olsen, Cudmore, & Hill, 2006). For example, Habisch, Jonker, Wegner, and Schmidpeter (2005), published a piece of literature containing a collection of essays on CSR in Europe in cooperation with 37 researchers, including an overview and analysis of structured surveys on CSR developments and progress for each European country. In the essay on CSR in Germany they suggest that in a scenario of equal price and quality, more than 50% of German consumers favor products from CSR conforming companies.

Furthermore, CSR engagement is suggested to have a positive impact on access to capital and investor relations. For example, Heslin and Ochoa (2008) in “Understanding and Developing Strategic Corporate Social Responsibility” where they provide descriptions of 21 exemplary CSR practices, point out that

there is a growth of investment funds that are carefully screening and assessing companies for CSR activities and that base their investments or investment suggestions on a firm's CSR behavior. Good CSR behavior is rewarded and poor performance is penalized with divestments or a hold to capital access. For example, in mid-2006 the California Public Employees' Retirement System (CalPERS), a substantial public pension fund in the United States, withdrew its investment in companies involved in business activities in Sudan. Investments were only to continue if Sudan discontinues its genocide and resulting loss of human rights (Heslin & Ochoa, 2008). Another example is Talisman Energy of Canada that closed down its business in Sudan after its stock price dropped by 35% due to CSR-oriented investors selling their shares (Heslin & Ochoa, 2008).

Taking a look at the costs of implementing, maintaining and continuously improving CSR, multiple researchers acknowledge short-term costs, but contend that in the long-term being socially and environmentally proactive actually leads to a decrease in costs (Hart, 1995; Smith, 2005; Kurucz et al., 2008; Berman, Wicks, Kotha, & Jones, 1999). One aspect of cost reduction is the reduced risk for CSR violations once CSR has been successfully implemented. Firms that do not follow and control their activities may (unwillingly) violate societal expectations and face penalties, fines or a decline in sales due to a drop in its reputation (Giunipero, Hooker, & Denslow, 2012; Devinney, 2009; McGuire, Sundgren, & Schneeweis, 1988). As Carroll and Shabana (2010, p. 89) point out, when it comes to CSR *"proacting is better than reacting. This basically means that proacting (anticipating, planning, and initiating) is more practical and less costly than simply reacting"*. Another argument in favor of cost reduction, especially directed towards the environmental dimension, is that CSR actually drives down operational costs through resource reduction and more efficient production (Hart, 1995; Smith, 2005; Carroll & Shabana, 2010; Flammer, 2015).

Overall, a great amount of research on CSR supports the fact that proactive engagement of organizations in CSR activities leads to an improvement of financial performance (Tate et al., 2010; McWilliams & Siegel, 2000; Porter & Kramer 2006; Van Dijken, 2007; Ruf et al., 2001). This improvement may be realized through a reduction of costs stemming from the use of less resources and consequent increase in efficiency. Furthermore, turnover may be increased

due to enhanced relations with stakeholders and a better public image (Tate, et al., 2010). What needs to be emphasized in general is that researchers observe that the argument for CSR is increasingly being linked to financial performance and that ultimately the focus of CSR research has also shifted from the ethical and altruistic orientation, as was the case in the 1960s and 1970s, to a (financial) beneficiary orientation. The level of analysis that used to be the wider society, the macro-level, has moved to a smaller level of analysis, namely the organizational level (Carroll & Shabana, 2010; Vogel, 2005b). The reason for this shift is not yet explored. However, evidence for this shift in the level of analysis may be found in the increasing array of literature focusing on CSR's business case and its long-term profitability and maximization of the shareholder value. For example, in his work "Is there a market for virtue? The business case for corporate social responsibility", Vogel (2005b), informs about a survey conducted by PriceWaterHouseCoopers which demonstrates that over 70% of top management view CSR as a tool to increase business profitability, appointing CSR as a strategically crucial core business function. Nonetheless, there is also a great amount of research focusing on other aspects of CSR's impacts. For example, numerous researchers suggest that CSR leads to an increase of employee loyalty, motivation to work, and satisfaction and in turn to a higher profitability (Björklund, 2010; Yu, 2008; Heslin & Ochoa, 2008; Moskowitz, 1972; Turban & Greening, 1997; Farooq, Payaud, Merunka, & Valette-Florence, 2014; Turker, 2009; Abbott & Monsen, 1979).

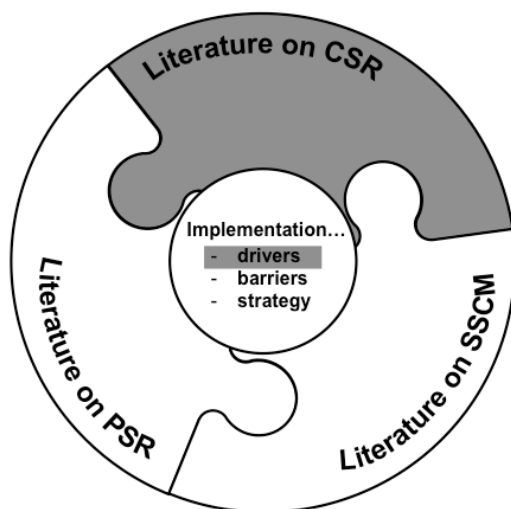
Furthermore, Heslin and Ochoa (2008) suggest that CSR helps to attract a more competent work force and that potential employees are even willing to receive lower wages for an employment in a socially responsible organization. Moreover, a company stressing fairness and kindness often influences the sensation an employee feels towards the company and how they behave during their daily business. In addition, raising awareness of a companies' social involvement in society can prove as a potent measure to increase motivation, lower employee fluctuation while increasing employee productivity (Heslin & Ochoa, 2008). Another part of research focuses on CSR and organizational learning (Vachon & Klassen, 2008; Carter, 2005; Heslin & Ochoa, 2008; Zadek, 2004). Research suggests that CSR engagement allows organizations to learn from other projects or firms they invest in. CSR activities may enhance the

learning organization by studying a variety of different areas and increase overall knowledge gained from these endeavors. For example, one of Bell Atlantic's CSR projects was to help children learn how to use modern technology. By doing so, the firm gained new knowledge and skills, which exceeded the costs of this CSR undertaking. In fact, these insights even allowed building a special technology, which has been patented and bundled in Bell Atlantic Infospeed DSL (Heslin & Ochoa, 2008). This example shows that CSR activities provide a basis for a fruitful development and innovation of companies while simultaneously aiding people and nature (Heslin & Ochoa, 2008). Next to organizational learning, CSR may also lead to a growth in the market share (Tate et al., 2010; Heslin & Ochoa, 2008; Carter, Kale, & Grimm, 2000; Björklund, 2010). However, CSR measures open up a world of yet more possibilities. For example, they can push the development of new markets such as in undeveloped countries. Here, these measures can help reduce poverty and strengthen a countries economic power while at the same time providing companies with new consumers and market places for their products (Heslin & Ochoa, 2008).

Overall, next to CSR's potential multiple benefits, one needs to realize that with the concept's increasing positive profile, stakeholders and the wider society consider CSR as a necessity much more than they did five years ago (Bielak, Bonini, & Oppenheim, 2007). Firms are expected to formulate, present, and steadily improve their roles and adhere to acknowledged CSR standards (Lindgreen & Swaen, 2004; Maon et al., 2009; De Bakker, Groenewegen, & Den Hond; Lantos, 2001; Maloni & Brown, 2006). Organizations are expected to not only deliver profits to shareholders but also to respond to their stakeholder's interests and enhance the well-being of society (Zadek, 2004; Aguilera, Rupp, Williams & Ganapathi, 2007; Choi, Gupta, & Hodges, 2012; Joyner & Payne, 2002). This expectation in turn forces firms to constantly demonstrate their CSR efforts to express their competitive advantage and to comply with increasing stakeholder demands as well as with governmental and nongovernmental regulations, making CSR an organization-wide challenging task (Maon et al., 2009; Tate et al., 2010; Sen & Bhattacharya, 2001; Cerin, 2002; Seitanidi & Crane, 2009; Campbell, 2007; Hinson & Kodua, 2012). One way for companies to become more legitimate in the eyes of their stakeholders is to proactively

enter conversations about the environment and social business. Research suggests here that firms may distribute CSR reports with the aim of increasing their public image and reputation (Tate et al., 2010).

3.1.2 Implementation drivers



As e.g. Mirvis and Googins (2006) outline in their conceptual paper developing a framework for stages of corporate citizenship, academic literature suggests that there are both internal and external drivers to CSR implementation. This division is also supported by Jutterstrim and Norberg (2013), Mirvis and Googins (2006), Stentoft Arlbjørn, De Haas, Stegmann Mikkelsen, and

Zachariassen (2010), and Heslin and Ochoa (2008).

Internal drivers, the push factors of CSR implementation, usually derive either from economic self-interest or altruistic reasons and a moral ethical grounding. Often, however, both reasons apply (D'Amato et al., 2009; Vogel, 2005a; Kotler & Lee, 2005). In regards to altruistic reasons, the personal morality of top management and the desire to lead best practice are key drivers of CSR implementation (Carroll, 2000; Nussbaum, 2009; Windolph, Harms, & Schaltegger, 2014; Wang, Lam, & Varshney, 2016). Moreover, according to many researchers, the honest interest and commitment of top management to implement CSR must be visible throughout the company to achieve a successful CSR implementation (Carroll, 2000; Doppelt, 2003; Lindgreen et al., 2011; Mirvis & Googins, 2006), including the willingness to change the existing company culture (Duarte & Rahman, 2010) and mobilize financial and human resources for this endeavor (Stentoft Arlbjørn et al., 2010; Duarte & Rahman, 2010). In fact, it is suggested that the CSR strategy should follow a top-to-bottom approach in which top management act as role models and CSR ambassadors in order to emphasize CSR importance. Inconsistent

understanding and desire to implement CSR among top management can destroy the legitimacy of this undertaking (Hardtke & Kleinfeld, 2010).

Another major internal altruistic driver, as suggested by Mirvis and Googins (2006), is based on the founding purpose and time. The authors emphasize that firms which were already founded on certain principles of corporate citizenship or were established in times of a greater CSR movement typically integrate a great array of CSR measures and innovate these from their early start, hopping over stages that are typically highlighted by defensiveness and reactivity. In contrast, e.g. Kotler and Lee (2005) in their book “Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause” provide best practices on CSR business choices as well as on the maximization of social causes and contributions, based on personal stories from 25 business leaders from companies known as exemplary in CSR, and suggest that firms combine their altruistic beliefs with business benefits in regard to CSR implementation.

As already explained in the previous chapter, CSR commitment is suggested to e.g. improve the financial performance of organizations through long-term cost reduction, risk minimization, enhanced relationships with shareholders and improved access to potential investors, and a positive influence on consumer buying behavior, as well as increase the competitive edge and ultimately enhance the overall economic standing of organizations (Hart, 1995; Hart, 2010; European Commission, 2011; Tate et al., 2010; McWilliams & Siegel, 2000; Porter & Kramer, 2006; Van Dijken, 2007; Ruf et al., 2001; Sen & Bhattacharya, 2001; Heslin & Ochoa, 2008; Smith, 2005; Kurucz et al., 2008; Berman et al., 1999; Valero-Gil, Rivera-Torres, & Garcés-Ayerbe, 2017). As e.g. D’Amato et al. (2009) in their sourcebook “Corporate Social Responsibility and Sustainable Business: A Guide to Leadership Tasks and Functions”, in which they reveal research into CSR approaches, alliances, and partnerships, point out, there is a developing sensation that adding value to the environment, people and society is essential for firms’ survival in the long-run.

Based on the notion of self-interest, scholars summarize the following additional internal drivers: enhancement of organizational learning, the aim to increase the overall reputation and image, and gaining a competitive edge, eventually even leading to a growth in market share (Mirvis & Googins, 2006; Roberts, 2003;

Porter & Kramer, 2006; Fombrun & Shanley, 1990; Udayasankar, 2008; Gray & Balmer, 1998; Tate et al., 2010; Kurucz et al., 2008; Yu, 2008; Bhattacharya & Sen, 2004; Fastoso et al., 2012; Homburg, Stierl, & Bornemann, 2013; Heslin & Ochoa, 2008; Carter, Kale, & Grimm, 2000; Björklund, 2010).

Taking a look at the focus of this study, on German MNCs, it is worth noting that European corporations are assumed to focus on both self-interest and benevolent factors when considering CSR implementation, while American corporations rather focus on financial justification and self-interest when determining their CSR approach (Hartman, Rubin, & Dhanda, 2007). In this particular study, Hartman et al. (2007) explored CSR by conducting a cross-cultural analysis of CSR measures of 16 American and European companies. Their results on firm CSR justification and focus are supported by previous research.

External drivers, the pull factors of CSR implementation, include pressures from a variety of stakeholders such as consumers, the community, shareholders, and NGOs, as well as laws and political pressures (Mirvis & Googins, 2006; Stentoft Arlbjørn et al., 2010; Dartey-Baah & Amponsah-Tawiah, 2011; Nijhof & De Bruijn, 2008; O’Riordan & Fairbrass, 2008; Valero-Gil et al., 2017; Gelderman, Semeijn, & Vluggen, 2017; Wang et al., 2016). All stakeholders have certain social and environmental expectations towards organizations. In case firms do not comply with these expectations, consumers e.g. that have a high bargaining power and can easily find substitute products may threaten firms to purchase products from other CSR compliant firms and thus enforce CSR development (Stentoft Arlbjørn et al., 2010; Smith, 2003; Heslin & Ochoa, 2008; Mohr & Webb, 2005; Rahim, Jalaludin, & Tajuddin, 2011). Shareholders, and especially those with a long-term interest in the firm, seek assurance that firms are not risking their reputation by violating the CSR agenda in order to protect their investments. Hence, they demand information on CSR practices and CSR compliance and thus also push firms to implement this matter (Welford & Frost, 2006). Similar to shareholders and consumers, also NGOs and communities have a certain power over firms’ CSR engagement. They monitor their activities, and in case of CSR violations, they may disclose according information to the public and thus stimulate boycotts (Heslin & Ochoa, 2008). Ultimately, existing as well as new regulations and laws regarding CSR themes also contribute to

CSR implementation by enforcing organizational compliance and punishing violations (Stentoft Arlbjørn et al., 2010).

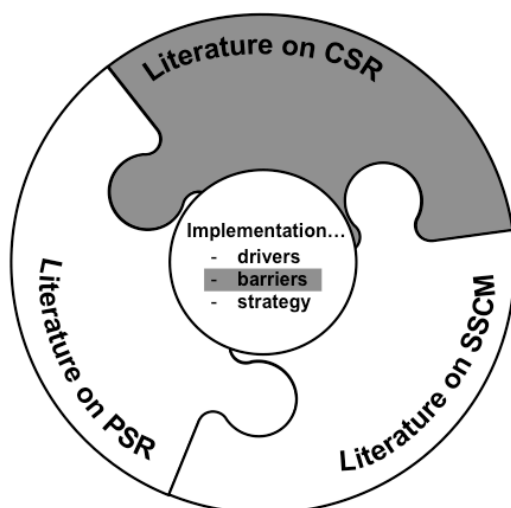
To conclude, Figure 4 provides a summary of the identified CSR implementation drivers and depicts the saturation level of research.

| | | | | CSR |
|--|----------|--|---|-----------|
| Drivers | Internal | Motivation: economic self- interest / potential business benefits | Essential for long-term business survival and for improvement of financial performance | xx |
| | | | Through risk minimization (minimization of reputational damage to avoid loss of market share) | xx |
| | | | Through an increased customer satisfaction by meeting / exceeding sustainability expectations | xx |
| | | | Through a positive influence on consumer buying behavior | xx |
| | | | Through gain or increase of competitive edge / market differentiation | xx |
| | | | Through enhancement of overall economic standing | xx |
| | | | Through an increase of the overall reputation and image | xx |
| | | | Through cost savings | xx |
| | | | Through increase of organizational learning | xx |
| | | | Through enhancing the relationship with shareholders and attracting future investors | xx |
| | External | Motivation: altruistic reasons | Desire to lead best practice | xx |
| | | | Demand and commitment of top management / personal morality of top management | xx |
| | | | Founding purpose and time | x |
| | | | Pressures from a variety of stakeholders | Consumers |
| | | Community | | xx |
| | | Shareholders / investors | | xx |
| | | NGOs | | xx |
| | | Governments: current and anticipated laws and regulations | xx | |
| "xx" = extensive research; "x" = little research | | | | |

Figure 4: CSR implementation drivers

3.1.3 Implementation barriers

Research names multiple barriers to CSR implementation. One of these



barriers concerns financial capabilities and the willingness to invest in CSR. This includes a lack of financial possibilities to gather necessary funds to invest in CSR implementation and to overcome eventual high initial investments, as well as a general lack of financial support by top management (Duarte & Rahman, 2010; Baskaran et al.,

2011; Yuen & Lim, 2016).

By conducting a literature survey covering 47 academic articles, followed by a survey of managers working in the Norwegian apparel industry to validate the findings, Laudal (2011) investigated the drivers and barriers of CSR. He identified eight key barriers including e.g. lack of financial resources, lack of strong leadership, and lack of sufficient human resources. Moreover, Laudal (2011) points out that even if firms possess the financial resources to implement CSR measures often organizations resist doing so in case of trade-offs between social responsibility costs and profits. This cost / benefit ratio of CSR implementation is also supported by Newell (2005), Gelderman et al. (2017) and Doane (2005). The lack of financial support by top management is further often based upon a general lack of commitment to engage in CSR activities (Stentoft Arlbjörn et al., 2010; Duarte & Rahman, 2010; Gelderman et al., 2017). This may be due to the concept's complexity and management's insufficient understanding of the importance and benefits of CSR (Stentoft Arlbjörn et al., 2010; Gelderman et al., 2017). As Valmohammadi (2011), Persons (2012) and Duarte and Rahman (2010) emphasize, despite a great array of sources of knowledge CSR is indeed difficult to grasp, leading to difficulties in acquiring relevant specific insights, which ultimately slows down CSR integration.

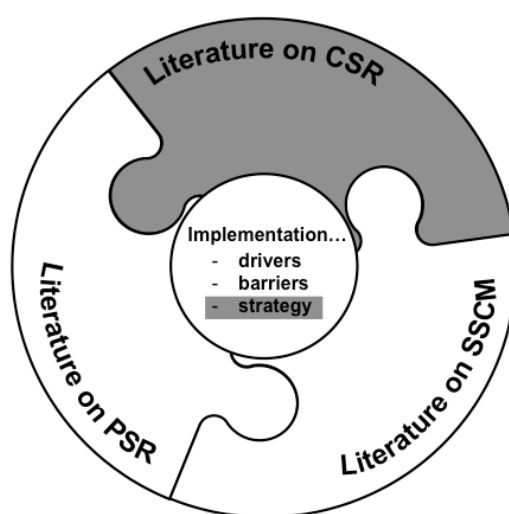
The most prominent sources of knowledge comprise business and academic literature, as well as various acknowledged standards and regulations such as the recently implemented European CSR reporting legislation (Huber-Heim, 2018) and the so-called "Global Eight", including the United Nations Global Compact, International Labour Organization (ILO) Conventions, the OECD guidelines for multinational enterprises, ISO 14001, AccountAbility 1000 (AA 1000), the Global Reporting Initiative (GRI), the Global Sullivan Principles, and the Social Accountability 8000 (Beske et al., 2008; Lee & Kim, 2009; McIntosh, Thomas, Leipziger, & Coleman, 2003; Fuentes-Garcia, Nunez-Tabales, & Veroz-Herradon, 2008). The authors further state that establishment of expertise, training of employees, and sharing of information within organizations in regards to CSR, create great challenges for organizations willing to implement this matter. This is also supported by Battaglia, Bianchi, Frey, and Iraldo (2010) and by Sarkis, Gonzalez-Torre, & Adenso-Diaz (2010). Overall,

lack of proper knowledge, e.g. in form of CSR experts, as well as lack of training and information sharing on CSR are widely acknowledged barriers to CSR implementation. Further barriers include a lack of strong leadership to successfully implement CSR (Laudal, 2011), lack of internal coordination (Stentoft Arlbjörn et al., 2010), as well as lack of external controls (Newell, 2005). External controls include regulations, laws, NGO support, social audits, and trade unions, which demand CSR compliance and provide relevant knowledge and outline basic conditions. However, in some regions of the world, e.g. in developing countries, these external controls are missing (Newell, 2005) and social audits do not exist, providing room to avoid CSR integration (Duarte & Rahman, 2010). In addition to this, in these regions customers often lack ethical awareness and focus solely on price aspects when purchasing products, motivating firms to also focus solely on economic gain (Valmohammadi, 2011; Duarte & Rahman, 2010). Other major barriers to CSR implementation comprise the inefficient stakeholder consideration and involvement (Stentoft Arlbjörn et al., 2010; Valmohammadi, 2011; Duarte & Rahman, 2010), a lack of concern for firm reputation and thus a missing motivation to implement CSR, difficulties in determining the appropriate CSR strategy in regard to the firm's country of origin and culture, as well as resistance to change the existing company culture by adapting CSR (Duarte & Rahman, 2010). To sum up, Figure 5 provides an overview of the identified barriers to CSR implementation and demonstrates the saturation level of research. Currently there is no research providing explanations and insights on how companies deal with and overcome these barriers.

| | | | | CSR |
|----------|----------|----------------------------------|--|--|
| Barriers | Internal | Motivation | Lack of top management motivation to implement this concept | xx |
| | | | General lack of commitment to engage in the concept's activities | xx |
| | | | Management's insufficient understanding of the importance and benefits of this concept | xx |
| | | | Lack of concern for firm reputation and thus a missing motivation to implement this concept | xx |
| | | | General resistance to change the existing company culture and adapt this concept | xx |
| | | Financial considerations | Lack of financial resources / necessary funds to implement and to maintain operations | xx |
| | | | Lack of financial support by top management | xx |
| | | | Resistance to implement this concept due to assumed trade-offs between implementation benefits and operational costs and profits | xx |
| | | Non-financial considerations | Lack of required non-financial resources (e.g. human resources) to implement and operate this concept | xx |
| | | | Lack of experts on this concept | xx |
| | | | Lack of strong leadership to successfully implement this concept | xx |
| | | | Lack of internal coordination / missing ability to coordinate complex undertakings | x |
| | | | Difficulties in acquiring relevant specific knowledge on implementation and operation of this concept | xx |
| | | | Difficulties in determining the appropriate CSR strategy | xx |
| | | | Lack of training and information sharing on this concept | xx |
| | | | Inefficient stakeholder consideration and involvement | xx |
| | External | | External requirements | Lack of regulations and laws on this concept |
| | | Lack of NGO support | | xx |
| | | Lack of social audits | | xx |
| | | No external stakeholder pressure | From trade unions | xx |
| | | | From consumers / customers (e.g. consumer insensitivity towards sustainability issues und primary desire for low prices) | xx |
| | | | From NGOs | xx |
| | | | "xx" = extensive research; "x" = little research | |

Figure 5: Barriers to CSR implementation

3.1.4 Key strategic implementation measures



As multiple researchers suggest, despite the extant academic literature on CSR and its increasing importance, the implementation of this concept still remains an under-researched area (Taneja et al., 2011; Lindgreen et al., 2011; Lindgreen et al., 2009; McWilliams et al., 2006; Roberts, 2003; Kleine & Von Hauff, 2009). Most studies on CSR implementation focus on specific

elements of the overall process (Maignan, Ferrell, & Ferrell, 2005; Maon et al., 2009; Maon, Lindgreen, & Swaen, 2010). Hence, a holistic approach for CSR

implementation which integrates seamless into a firm's operations, strategy and values is yet to be developed (Maon, Swaen, & Lindgreen, 2008).

For example, Werre (2003) conducted a case study of Chiquita on CSR implementation and provides a practice-based overview of implementation aspects. His findings propose four stages of CSR implementation: awareness of top management, development of a CSR vision and values, a change in organizational behavior, and anchoring of change. However, one might express the concern that this paper could have profited from a more stringent approach and clearer and more detailed advice on CSR implementation. Furthermore, his research is based on a single case study.

Another study on CSR implementation is provided by Cramer (2005), who conducted a case study of 19 Dutch companies on their practical experiences in structuring CSR. His results demonstrate that CSR implementation differs across industry sectors and among companies within a specific sector. He suggests that each company follows its own path towards CSR implementation. Nonetheless, in collaboration with his sample organizations, the author proposes six main activities for firms willing to implement CSR: listing the demands and expectations of the firm's stakeholders, formulating a clear vision and mission statement for CSR as well as developing a CSR code of conduct for internal and - where required - for external use, developing short- and long-term CSR strategies and a plan of action, setting up of a monitoring and reporting system, embedding the CSR implementation process into a holistic quality management system, and communicating internally and externally about the approach, progress, and results of the process. However, detailed information for each activity is not provided and subject to further research. A similar study was published by Panapaanan, Linnanen, Karvonen, and Phan (2003). In form of a case study the authors investigated the CSR status of Finnish companies and proposed a framework outlining major steps for CSR adoption, including a change in the organizational structure, development of an implementation plan, monitoring and evaluation of progress, as well as communication and reporting. A continuous improvement process should accompany all steps. Unfortunately, in their paper it is neither explained how the authors derived this framework nor any details on each step are provided.

Overall, a great percentage of CSR implementation frameworks comprise similar activities that range from an initial as-is analysis, followed by the development of a strategy, oftentimes in collaboration with its main stakeholders, over to the creation of a monitoring and reporting apparatus incl. the identification of specific key performance indicators. A communication model for different stakeholders and a regular performance review add the final touches to these frameworks (Bondy, 2008; Crespín-Mazet & Döntenwill, 2012; Van Marrewijk, Wuisman, Cleyn, De, Timmers, Panapanaan et al., 2003; Sen, 2006). However, as agreed by the majority of authors on CSR, depth of information and clarity of thought on CSR implementation are still to be provided in depth by research.

Thus, by summarizing, comparing and clearly illustrating the existing little literature on various strategic CSR implementation aspects, this chapter aims to achieve stringency in the main aspects of CSR implementation. For this, the following paragraphs first outline the identified key strategic CSR implementation measures and afterwards describe the continuous improvement activities. Overall, the sequence of these paragraphs highlights the assumption that CSR implementation may be considered as a business change process, moving from a current to a future organizational state (George & Jones, 1996).

- **Strategic CSR implementation measures:**

- **Clarification of the purpose of implementation:**

As explained earlier, there are various reasons why firms engage in CSR activities. Some firms use it as a strategic measure, others as a defensive act and still others due to altruistic reasons (Vogel, 2005a). Nonetheless, firms need to be clear about their strategic intent and their underlying motivation for CSR implementation as this forms the basis for the resulting CSR strategy (Hardtke & Kleinfeld, 2010; Mirvis & Googins, 2006).

- **Adaption of the organizational structure / setup of an implementation project team:**

Once the required knowledge and expertise has been acquired, a CSR implementation project team and a CSR department should be established according to Kummer (2009), Schmitt (2005), and Hardtke and Kleinfeld (2010) as a lack of internal coordination is suggested to create a great barrier to CSR implementation (Stentoft Arlbjörn et al., 2010). It is further proposed that firms need to decide what importance CSR should have within the organization and where and how it should be embedded into the existing organizational structure. Setting up a CSR department is a strategic question since it displays the strategic importance of this function (Curbach, 2009). Usually the CSR project team will transit into the regular organization, or more precisely into the CSR department, upon the end of the CSR implementation project (Kummer, 2009; Hardtke & Kleinfeld, 2010).

Unfortunately, there is very little research on how CSR departments should be positioned and also practice does not provide a clear picture on this matter (Kummer, 2009). However, research emphasizes that CSR departments should be directly connected to the management board, due to their long-term strategic task (Schmitt, 2005; Kummer, 2009).

Research suggests that CSR functions positioned within the Public Relations or Communications Department do not indicate a persuasive CSR commitment and provide the impression that these organizations perceive CSR as a necessary burden that needs to be implemented in order to satisfy stakeholders (Curbach, 2009). Hence, Schmitt (2005) and Curbach (2009) propose that the CSR department should be set up at the highest decision-making level and that the Head of CSR should also be a member of the board to demonstrate the importance of CSR.

Furthermore, next to the strategic CSR department, interfaces need to be established to all major business departments and CSR experts should be positioned in each of these departments, e.g. in production, marketing, purchasing, or HR (Kummer, 2009; Schmitt, 2005; Hardtke & Kleinfeld, 2010). These CSR experts should possess both CSR expertise and specific business function expertise to be able to advise the various departments on

CSR topics as well as derive and execute particular CSR measures within their departments. In case required expertise is missing external specialists should be hired (Schmitt, 2005).

Following academic research, the Head of CSR should be the responsible person for CSR implementation and for the establishment of adequate CSR governance. He or she should further search and select appropriate team members, as well as report to the management board (Kummer, 2009). Figure 6 depicts a possible scenario as recommended by Schmitt (2005).

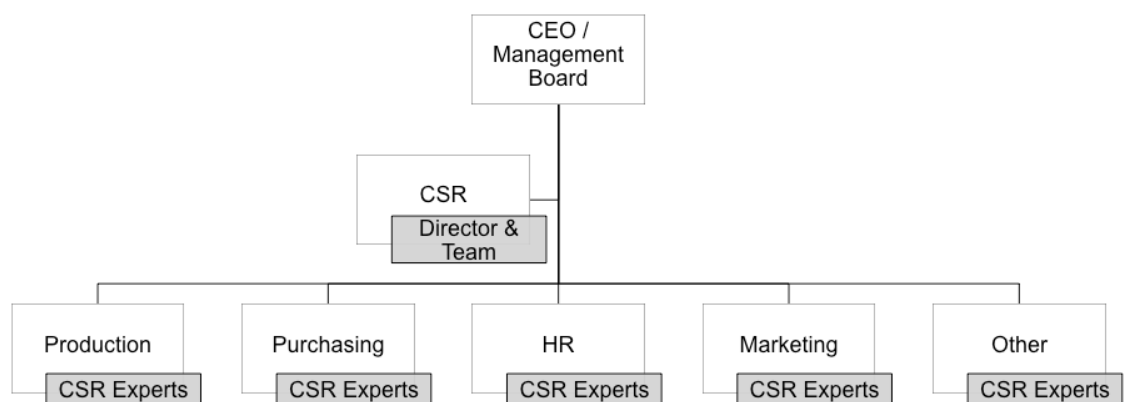


Figure 6: CSR organizational structure

Overall, this structure comprises multiple benefits. First, an efficient cross-linking of CSR knowledge and functional areas is given. CSR knowledge is proactively shared and mutual knowledge (of the CSR team and functional teams) is increased. Second, this organizational setup allows rather simply and directly translating and embedding CSR objectives into functional departments, and controlling CSR performance and progress. Communication, transparency, and reporting is also simplified through a direct exchange between CSR experts and functional area experts. Furthermore, the exchange of information between decision-making and implementation levels is ensured both top-down and bottom-up.

- **As-is analysis:**

Prior to developing any strategy, academics claim that it is essential to understand what the company has accomplished to date and recognize the stage in which it is operating as well as understand current weaknesses, threats, strengths, and challenges (Mirvis & Googins, 2006; Maon, Lindgreen & Swaen, 2010). Hence, multiple researchers suggest that the first step prior to formulating a CSR strategy consists of an as-is analysis of the current partial CSR practice, CSR related business activities, and other CSR relevant basic information (Kummer, 2009; Lindgreen et al., 2011; Cramer, Jonker, & Van der Heijden, 2004; Maignan et al., 2005; Maon et al., 2009; Hardtke & Kleinfeld, 2010). The objective is to obtain a clear picture of the starting position and understand how the organization is positioned in terms of CSR (Hardtke & Kleinfeld, 2010). This task should be conducted by the established CSR department (Kummer, 2009; Hardtke & Kleinfeld, 2010). This zero-assessment should include a review of existing mission and vision statements, codes of conduct, norms, principles, and values, an overview of the organizational structure incl. key departments and persons in charge, as well as existing CSR related certification. Furthermore, organizational characteristics regarding the CSR dimensions (triple bottom line) and areas of potential CSR influence should be assessed (Maon et al., 2009; Hardtke & Kleinfeld, 2010).

- **Benchmarking:**

Multiple researchers suggest that an as-is analysis including a benchmark of competitors' CSR practices is a very useful exercise (Mirvis & Googins, 2006; Maon et al., 2009; Graafland, Eijffinger, & Smid, 2004; Kummer, 2009). This is because learning from forerunners presents several advantages for CSR implementation. First, benchmarking increases transparency and presents the breadth and depth of CSR scope, activities, and measures. Second, it can provide implementation guidance and lessons learned. Moreover, it is rather simple to carry out and adds legitimacy to the CSR implementation strategy (Maon et al., 2009; Graafland et al., 2004).

- **Integration of the CSR strategy into the overall business strategy:**
Research suggests that the best way to determine a particular substrategy is to derive it from a broader strategic concept (Mirvis & Googins, 2006). Applied to CSR, this means that the CSR strategy should be derived from the overall business strategy and adapted into the existing corporate strategy, the firm's functional strategies, as well as the firm's vision, mission, and culture (Doppelt 2003; Lyon, 2004; Werre, 2003; Lindgreen et al., 2011; Curbach, 2009; Sangle, 2009). In fact, the majority of research suggests that the CSR strategy should be based on existing corporate norms and values (Maon et al., 2009; Maignan et al., 2005). In other words, an effective CSR strategy must be consistent with the overall business understanding (Doppelt, 2003; Lyon, 2004; Werre, 2003; Lindgreen et al., 2011; Curbach, 2009).

Furthermore, CSR should be embedded in existing codes of conduct and corporate policies to create a coherent picture (Curbach, 2009). This also requires establishing a clear understanding of CSR to allow the management and employees of the firm to work in the same direction (Maon et al., 2009).

However, a firm's CSR strategy should be unique and distinct from the CSR strategy of the firm's competitors. It should fit with industry characteristics and be derived from the firm's mission and vision statement as well as be based on existing business norms and values (Smith, 2003). Moreover, the CSR strategy should be directed towards the firm's stakeholders and the society and clearly explain what and how the organization plans to achieve an improvement of their well-being (Maon et al., 2009; Barnett, 2007; Doppelt 2003; Lyon, 2004; Werre, 2003; Lindgreen et al., 2011). The integration of stakeholders is further explained in the next section.

Overall, developing a CSR strategy requires a formulation of economic, environmental, and social goals. Companies need to formulate written measurable goals for each CSR area they plan to implement (Curbach, 2009; Maon et al., 2009; Kummer, 2009). In fact, research suggests integrating the CSR understanding, standards, and behavioral guidance and

CSR implications for each department into existing corporate codes of conduct (Kaptein, 2004; Paine, 1994; Valentine & Fleischman, 2008).

- **Integration of stakeholders:**

Prior to translating the formulated goals into clear objectives, firms need to determine which CSR activities are expected by their stakeholders. This task is perceived as one of the most important in strategic CSR implementation (Schmitt, 2005; Hardtke & Kleinfeld, 2010; Kummer, 2009). Thus, stakeholders need to be considered and involved in the formulation of clear CSR objectives and implementation measures, as confirmed by Stentoft Arlbjörn et al. (2010), Valmohammadi (2011), Duarte and Rahman, 2010; Maon et al. (2009), Kummer, (2009), Schmitt, (2005), O'Brien, Jarvis, Soutar and Ouschan (2018), and Hardtke and Kleinfeld (2010).

All stakeholders are suggested to have certain social and environmental expectations towards organizations. In case firms do not comply with these expectations, consumers e.g. that have a high bargaining power and can easily find substitute products may threaten firms to purchase products from other CSR compliant firms and thus enforce CSR development (Stentoft Arlbjörn et al., 2010; Smith, 2003; Heslin & Ochoa, 2008; O'Brien et al., 2018). In addition to this, shareholders, and especially those with a long-term interest in the firm, seek assurance that firms are not risking their reputation by violating the CSR agenda in order to protect their investments. Hence, they demand information on CSR practices and CSR compliance (Welford & Frost, 2006). Similar to shareholders and consumers research proposes that NGOs and communities also have a certain power over firms' CSR engagement. They monitor their activities and in case of CSR violations they may disclose according information to the public and thus stimulate boycotts (Heslin & Ochoa, 2008). Overall, the stakeholder dialogue should aim to understand the objectives, values, and expectations of all parties who have a stake in the organization (Maon et al., 2009) and to build a realistic and adequate CSR strategy, allowing to prioritize certain CSR aspects and activities over others depending on stakeholder requirements (Hardtke & Kleinfeld, 2010).

The process typically begins with a stakeholder identification, analysis, and prioritization (Hardtke & Kleinfeld, 2010). The challenge is to identify those stakeholders that have the highest importance for the company and those that will be strongly affected by CSR. They should further represent a great majority of certain stakeholder groups. This challenging task of identifying appropriate stakeholders is claimed to be necessary due to pragmatic reasons: considering their numbers not all stakeholders and stakeholder groups can be (physically) involved in the stakeholder dialogue (Maon et al., 2009; Hardtke & Kleinfeld, 2010; Mitchell, Agle, & Wood, 1997).

Once stakeholders are identified they should be contacted and brought together to discuss the CSR expectations, draft a CSR strategy and provide parameters for the implementation. Often, organizations involve external consultants as moderators to support the process with their expertise and ensure efficient and effective workshops (Hardtke & Kleinfeld, 2010).

- **Clarification of the optimal set and scope of CSR initiatives and translation of CSR goals into clear objectives:**

A CSR strategy should outline on which CSR aspects the firm plans to put its emphasis, since implementing the entire CSR agenda cannot be accomplished (McWilliams & Siegel, 2001; Lunheim, 2003). For example, in the last years the social dimension has received less attention than the environmental dimension (Yawar & Seuring, 2015). Moreover, the correct CSR strategy is characterized by business and CSR goals existing in harmony (Porter & Kramer 2006).

Overall, one can see that CSR is a wide field comprising multiple activities. Mastering excellence in all areas and activities seems thus almost impossible and in fact not all of these activities are suitable for every firm (Mirvis & Googins, 2006). Hence, following the results of the stakeholder dialogue, firms need to clarify the optimal set of activities they want to engage in and assess the desired level of implementation in each area and activity (Baumann-Pauly et al., 2013; Van Marrewijk & Werre, 2003; Zadek, 2004; Mirvis & Googins, 2006; Lindgreen et al., 2011). Once the prioritization of CSR activities is conducted, overall long-term goals should be translated into short-term realistic, clear, specific, and measurable

objectives for each business department. Furthermore, a timetable, action plan, and responsible individuals should be outlined and the overview should be made visible to the organization (Hardtke & Kleinfeld, 2010; Panapaanan et al., 2003; Cramer, 2005). Progress and performance KPIs should be developed and a monitoring system should be set up (Schmitt, 2005; Maon et al., 2009). Researchers especially recommend measuring and monitoring progress due to the fact that CSR implementation is an iterative approach and needs to be fine-tuned during the process (Cramer et al., 2004; Porter & Kramer, 2006; Lindgreen et al., 2011).

- **Preparation of a business case:**

Researchers observe that organizations couple CSR implementation with potential CSR benefits. In other words, the argument for CSR is increasingly being linked to financial performance (Carroll & Shabana, 2010; Vogel, 2005b; Lee, 2008). Hence, in order to implement CSR, firms need to find a balance between their ethical desires and business possibilities (Taylor, 2003; Porter & Kramer, 2006; Carroll & Shabana, 2010). As Castka et al. (2004) point out similar to any company initiative CSR is to be treated equally to all other investments of a company. Hence companies analyze and compare potential benefits and costs of CSR implementation to justify that the planned CSR implementation is financially sustainable (Newell, 2005; Doane, 2005; Schaltegger & Burritt, 2018).

This cost-benefit-analysis is depicted in the CSR business case. The business case is especially important to justify the CSR implementation and estimate how 'much' CSR can be implemented in the short- and long-term. Justification is not only important firm-internally but also externally. For example, shareholders are suggested to be increasingly concerned with the financial performance of organizations and thus demand to be informed about the cost-benefit-analysis of CSR (Carroll & Shabana, 2010).

Overall, research suggests that there is no standard business case for CSR, meaning that organizations use different tools and arguments to justify a CSR strategy, implementation and its extent (Carroll & Shabana, 2010; Schaltegger & Burritt, 2018). In the academic literature most likely one will find the following main aspects a CSR business case may rely on: a

calculation of the reputational impact, an estimation of the overall costs versus the reputational benefits, an estimation of the impact on the competitive advantage, estimations on cost and risk reduction (Zadek, 2004; Carroll & Shabana, 2010; Kurucz et al., 2008), impact on access to capital, as well as impact on financing and investor relations (Heslin & Ochoa, 2008). These elements are based on two views: the narrow and broad view. The narrow view justifies CSR in case of clear and direct links to financial business performance, focusing primarily on the aspect of cost savings. The broad view in contrast focuses on direct and indirect links to firm performance. Indirect links include the potential benefits of CSR implementation, such as an estimation of the competitive advantage, win-win-relationships with stakeholders and reputational benefits (Carroll & Shabana, 2010).

- **Alignment of the CSR strategy with existing business initiatives and structures:**

Research recommends that any organization planning to implement a specific strategic issue, such as CSR, should not only connect the undertaking with the greater organizational strategy but also identify possible connections with existing business areas such as risk management and compliance, corporate image and marketing, stakeholder management as well as standards and certification to avoid redundancy and ensure efficiency (Mirvis & Googins, 2006). Furthermore, CSR should be embedded in the existing organizational structure.

On the strategic level, scholars propose that organizations need to determine the structures, positions and tasks that are required for strategic and operational CSR, decide whether tasks should be managed and conducted centrally or de-centrally and whether responsibility for CSR should be shared across existing business functions in order to accomplish best results.

On the operational level it is proposed that firms may need to create new job positions, invest in additional human resources and the development of expertise as well as in incentive systems (Longoni, Golini, & Cagliano, 2014). Also, it should be assessed how to best add CSR objectives into

existing performance management systems and other relevant IT systems to be able to track and report on CSR performance (Wolf, 2011).

- **Integration of CSR goals into employee performance measures:**

A few academic scholars suggest CSR objectives should be incorporated into employee performance measures (Hardtke & Kleinfeld; Maon et al., 2008; Sachs & Ruhli, 2005; Merriman, Sen, Felo, & Litzky, 2016). Implementing CSR responsibilities into job descriptions and performance evaluations is believed to have a positive impact on CSR implementation. This includes the establishment of rewards for CSR achievement and penalties for CSR non-conformance (Sachs & Ruhli, 2005).

- **Communication of CSR measures:**

In the beginning of the CSR implementation, research suggests that written statements explaining the upcoming CSR implementation need to be communicated and made transparent to the organizations' stakeholders, e.g. through a report. This enhances legitimacy and the obligation to reach these objectives (Curbach, 2009; Kummer, 2009; Maon et al., 2008; Hardtke & Kleinfeld, 2010; Lee, Fairhurst, & Wesley, 2009; Jurietti, Mandelli & Fudurić, 2017; Lim & Greenwood, 2017; Kollat & Farache, 2017). Organizations may include this information in their annual reports or publish separate reports on their non-financial performance (Curbach, 2009).

Regarding internal operations research proposes that employees need to be informed and made aware about CSR and top management needs to enforce the importance of institutionalizing the outlined CSR goals (Curbach, 2009; Maon et al., 2008). Informing and raising awareness of employees is suggested to be especially important, as employees will be strongly affected by CSR implementation. Therefore, their mindsets need to be prepared and skills need to be developed to generate overall understanding and support. Overall, *"employees should receive context for and background on the firm's approach to CSR, including the motivation for engaging in it, why the approach was adopted, its relevance to the organization, how it fits with existing firm objectives, how it changes current approaches, and other implications"* (Maon et al., 2008, p. 30). Research further suggests that

employees should be actively involved in the change process (Hardtke & Kleinfeld, 2010) to ensure that CSR becomes part of their work life (Lindgreen et al., 2011; Baumann-Pauly et al., 2013). Communication and active involvement in the upcoming change process may be conducted through e-learning, training, workshops, speeches, and newsletters. Moreover, communication should include messages from top management to increase the topic's legitimacy. For this, an internal communication plan is suggested (Hardtke & Kleinfeld, 2010).

- **Continuous improvement activities:**

- **Stakeholder dialogue:**

The development into a leading CSR organization is a continuous process in which organizations learn over time (Maon et al., 2008). As e.g. Hardtke and Kleinfeld (2010) claim, one option to gradually improve the firm's CSR position is to engage in a regular stakeholder dialogue to review and be aware of changing stakeholder demands and new developments. Stakeholders may provide input for CSR development, implementation of new CSR activities as well as provide feedback on what is working well, why, and how, as a part of the continuous improvement (Maon et al., 2008).

- **Regular external audits:**

External auditors may not only be hired to objectively review CSR performance against written expectations and targets. These audits may also be disseminated to demonstrate CSR development and conformance (Maon et al., 2008).

To sum up, Figure 7 provides a summary of the identified strategic implementation measures and Figure 8 depicts the identified continuous CSR improvement activities. Both figures further demonstrate the saturation level of research.

| | | CSR |
|-----------------------------------|--|-----|
| Strategic implementation measures | Clarification of the purpose of implementation | x |
| | Adaption of the organizational structure / setup of an implementation project team | x |
| | As-is analysis | x |
| | Benchmarking | x |
| | Integration of the CSR strategy into the overall business strategy | x |
| | Integration of stakeholders | xx |
| | Clarification of the optimal set and scope of CSR initiatives and translation of CSR goals into clear objectives | x |
| | Preparation of a business case | x |
| | Alignment of the CSR strategy with existing business initiatives and structures | x |
| | Integration of CSR goals into employee performance measures | x |
| | Communication of CSR measures | xx |
| | "xx" = extensive research; "x" = little research | |

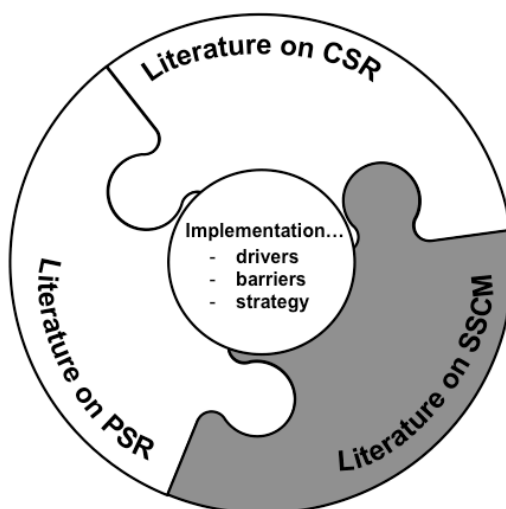
Figure 7: Strategic CSR implementation measures

| | | CSR |
|-----------------------------------|--|-----|
| Continuous improvement activities | Stakeholder dialog | x |
| | Regular external audits | x |
| | "xx" = extensive research; "x" = little research | |

Figure 8: Continuous CSR improvement activities

3.2 Literature on Sustainable Supply Chain Management

3.2.1 Introduction



Sustainable Supply Chain Management is based upon two major terms: sustainability and supply chain management with sustainability being defined as a “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*” (World Commission on Environment and

Development, 1987, p. 41). Supply chain management on the other hand is defined as management of a network of individual entities such as raw material suppliers, manufacturers, carriers, distribution centers, wholesalers, and retailers through which raw materials are moved, transformed into a final product and distributed to reach the end consumer. Activities of supply chain management thus include planning and designing of products, sourcing of raw materials and parts, manufacturing and assembly as well as inventory and distribution management (Lummus & Vokurka, 1999).

Until the beginning of the 21st century academic literature on supply chain management focused primarily on cost and efficiency aspects, lean management, integration and accumulation of processes, customer services (Andersen & Skjoett-Larsen, 2009) as well as on transportation / logistics and warehousing (Ageron, Gunasekaran, & Spalanzani, 2012). With the increasing outsourcing trend to usually low-cost countries, however, the focus of research shifted towards the aspect of sustainability (Andersen & Skjoett-Larsen, 2009; Corbett & Kleindorfer, 2003; Pagell & Wu, 2009; Linton, Klassen, & Jayaraman, 2007), corresponding to the growing stakeholder and societal interest in the greater topic of CSR (Blowfield & Murray, 2011). In other words, the traditional concept of supply chain management has been extended with the integration of environmental and social aspects, creating a new research field: Sustainable Supply Chain Management (Wittstruck & Teuteberg, 2012), which is perceived as *“a key dimension of corporate social responsibility”* (Ageron et al., 2012, p. 168).

Overall, the majority of literature on SSCM was mainly published after the year 2000 according to e.g. Seuring and Müller (2008) who conducted an extensive literature review on SSCM including 191 papers published between 1994 and 2007. Nowadays, SSCM is a thriving research field (Burgess, Singh, & Koroglu, 2006; Beske & Seuring, 2014), comprising more than 300 publications as claimed by Seuring (2013) who carried out a large-scale literature review on SSCM.

Along with the growth of the research field, in the recent years a number of academic definitions of SSCM were developed. What they have in common is the general understanding that SSCM comprises the consideration of all triple

bottom line dimensions (Ageron et al., 2012; Carter & Rogers, 2008; Beske & Seuring, 2014; Seuring & Müller, 2008) and “*that a supply chain’s performance should be measured not just by profits, but also by the impact of the chain on ecological and social systems*” (Pagell & Wu, 2009, p. 38). This applies for both the entire upstream (supply) and downstream (distribution) supply chain (Awasthi, Chauhan, & Goyal, 2010). In other words, “*to be truly sustainable a supply chain would at worst do no net harm to natural or social systems while still producing a profit*” (Pagell & Wu, 2009, p. 38).

Following the idea of the triple bottom line, the following activities - which may be partially overlapping - were identified in the literature review and are acknowledged to be part of SSCM:

| SSCM activities | | Source |
|-----------------|---|--|
| Planet | Sustainable design & packaging | Ashby, Leat, & Hudson-Smith, 2012; Linton, Klassen, & Jayaraman, 2007 |
| | Product stewardship | Ashby, Leat, & Hudson-Smith, 2012; Hart, 1995; Rusinko, 2007; Sarkis, 1995; Sarkis, 2001; Tsoufas & Pappis, 2006 |
| | Sustainable production | Ashby, Leat, & Hudson-Smith, 2012 |
| | Reduction / elimination of by-products | Linton, Klassen, & Jayaraman, 2007 |
| | Sustainable transportation | Al-Odeh and Smallwood, 2012 |
| | Recycling / reverse logistics | Ashby, Leat, & Hudson-Smith, 2012; Linton, Klassen, & Jayaraman, 2007 |
| | Green supply chain management | Varma, Wadhwa, & Deshmukh, 2006; Zhu, Sarkis, & Geng, 2005; Zsidisin and Siferd, 2001 |
| | Green / environmental / sustainable purchasing | Ashby, Leat, & Hudson-Smith, 2012; Lau, 2011; Leire & Mont, 2009 |
| Social | Labor conditions | Leire & Mont, 2009; Park-Poaps & Rees, 2010; Yawar, & Seuring, 2015 |
| | Health & safety | Harms, Hansen, & Schaltegger, 2013; Lau, 2011 |
| | Human rights | Harms, Hansen, & Schaltegger, 2013; Yawar, & Seuring, 2015 |
| | No child labor | Graafland, Van de Ven, & Stoffele, 2003; Harms, Hansen, & Schaltegger, 2013; Kolk & Van Tulder, 2002 |
| | Diversity | Krause, Ragatz, & Hughley, 1999; Prieto-Carron, 2008; Spence & Bourlakis, 2009 |
| Economic | Punctual payments | Krause, Vachon, & Klassen, 2009; Lau, 2011 |
| | Disclosure / transparency of financial information | Krause, Vachon, & Klassen, 2009; Lau, 2011 |
| | Anti-corruption and anti-bribery measures | Krause, Vachon, & Klassen, 2009; Lau, 2011 |

Figure 9: SSCM activities

Overall, SSCM research suggests that focal companies - those governing the supply chain, selecting supply chain partners, and being the direct contact to all supply chain parties - are nowadays expected to take on responsibility for the environmental and social performance of all parties within their supply chains as these companies are the ones that select their business partners and thus they are also expected to govern, manage, and control their actions (Large & Gimenez Thomsen, 2011; Rao & Holt, 2005; Seuring & Müller, 2008; Pedersen, 2009; Roberts, 2003). In fact, customers and other stakeholders do not distinguish between focal companies and their partners in the supply chain and often hold focal companies responsible for actions that occurred beyond the boundaries of their own individual organizations and their juridical walls, somewhere along their supply chain. This affects especially brand-owning companies, as they are the most visible to the public eye (Ashby, Leat, & Hudson-Smith, 2012). The responsibility of these focal firms comprises the environmental, social, and economic performance of all supply chain parties, including all resources and activities involved in manufacturing and selling the final product as well as the business relationships involved in this process (Ashby et al., 2012). These tasks are often dispersed around the globe, linking all supply chain parties by information, resources, and capital flows (Seuring & Müller, 2008). Failure to comply with SSCM standards may strongly harm the reputation of the focal firm and lead to sudden declines in turnover, as well as to a loss of consumers, shareholders / investors, and other business partners (Pedersen, 2009; Seuring et al., 2008).

Hence, effective SSCM management is suggested to be a crucial determinant of the firm's success and an area of increasing strategic business importance, mirroring the concept's benefits to those of CSR, including the increase of the competitive edge and improvement of the overall firm performance (Al-Odeh & Smallwood, 2012; Boyd et al., 2007; Ortas, Moneva, & Alvarez, 2014), enhancement of the financial performance through cost and risk reduction (Geffen & Rothenberg, 2000; Fawcett; Magnan, & McCarter, 2008; Walker & Jones, 2012; Seuring & Müller, 2008; Fawcett et al., 2008; Diabat & Govindan, 2011), and the ability to strengthen shareholder relationships and attract future investors (Trowbridge, 2001; Seuring & Müller, 2008). Next to the impact on organizations, society is also influenced by SSCM. Researchers emphasize that

SSCM can lead to efficient resource management, including the reduction of energy and material consumption. Furthermore, production and transport costs can be lowered (Wittstruck & Teuteberg, 2012; Boyd et al., 2007), as well as packaging can be reduced (Walker & Jones, 2012). SSCM can help to reduce environmental risks and pollution (Walker & Jones, 2012).

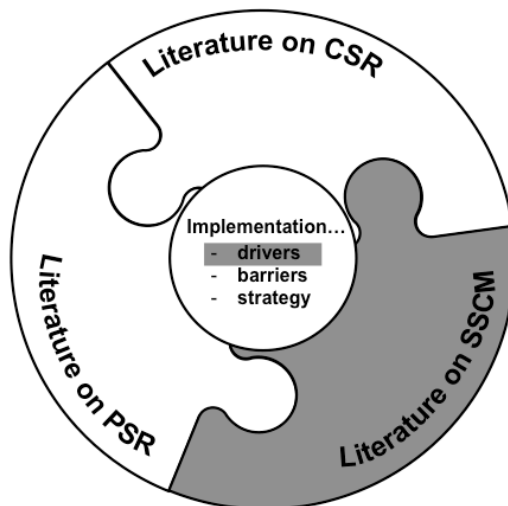
The requirement for the majority of these benefits is transparency (e.g. through certificates) of SSCM actions. According to the findings of e.g. Wittstruck and Teuteberg (2012) who conducted an extensive literature review and an explanatory study on the success factors of SSCM, only those firms that proactively communicate their SSCM activities may also benefit from it, as stakeholders can only know what is communicated and made visible to them.

Taking a look at the research landscape, not unlikely due to the fact that upstream and downstream supply chain activities are rather complex (Varma, Wadhwa, & Deshmukh, 2006; Kovács, 2008) and most organizations are part of multiple supply chains (Samaranayake, 2005), research on SSCM including research on the concept's implementation mostly concentrates on individual SSCM subtopics, disregarding further interrelationships (Carter & Jennings, 2002b). In other words, there are multiple SSCM studies focusing on one specific supply chain element rather than investigating the broader picture (Pagell & Wu, 2009; Carter & Jennings, 2002b; Carbone, Moatti, & Vinzi, 2012). These major subtopics and research areas of SSCM include reverse logistics, green supply chains (Andersen & Skjoett-Larsen, 2009) / environmental supply chains (Narasimhan & Carter, 1998), and purchasing social responsibility (Carter, 2005; Lau, 2011).

Moreover, despite the fact that by definition SSCM includes the consideration of all three sustainability pillars, namely social, environmental, and economic aspects, with the exception of SSCM's subtopic Purchasing Social Responsibility, the majority of SSCM literature focuses on the environmental dimension of SSCM (Seuring & Müller, 2008; Carter & Liane Easton, 2011; Ashby et al., 2012). Literature on SSCM's social and economic dimension is rather scarce, highlighting a key finding of the major literature reviews on SSCM by Seuring and Müller (2008) and Seuring (2013). This is also confirmed by Carter and Liane Easton (2011), and Ashby et al. (2012). Taking a look at

practice, e.g. Krause et al. (2009) emphasize that practice has also made strong progress in the implementation of the environmental dimension of SSCM while struggling with the consideration of societal and economic aspects.

3.2.2 Implementation drivers



Similar to academic literature on CSR, research on SSCM also distinguishes between internal and external drivers to SSCM implementation (Walker & Jones, 2012; Seuring & Müller, 2008; Fawcett et al., 2008). Also, the factors named mirror those of CSR to a large extent. However, as SSCM literature does not name any altruistic reasoning for implementing

SSCM, it seems that the general motivation for implementing this concept is primarily driven by self-interest and potential benefits. This stands in contrast to the drivers of CSR implementation, which comprise both economic self-interest and moral grounding as primary drivers (D'Amato et al., 2009; Vogel, 2005a; Kotler & Lee, 2005).

According to research, the major potential benefits of implementing SSCM include cost reduction and enhancement of the competitive edge through close collaboration and transparency within supply chain entities (Geffen & Rothenberg, 2000; Fawcett et al., 2008; Meyer, Niemann, Mackenzie, & Lombaard, 2017; Biswal, Muduli, & Satapathy, 2017), increased customer satisfaction through meeting and exceeding expectations in relation to sustainability as well as enhanced financial performance through e.g. risk reduction (Fawcett et al., 2008; Wang & Sarkis, 2013, Biswal et al., 2017). Compliance with sustainability regulations and meeting expectations of the stakeholders reduces the risk of losing a good reputation, and is thus one of the major drivers of SSCM implementation (Walker & Jones, 2012; Seuring & Müller, 2008; Fawcett et al., 2008). Reducing the risk of being involved in SSCM

scandals also enhances the relationship with firm shareholders and attracts future investors (Trowbridge, 2001; Seuring & Müller, 2008).

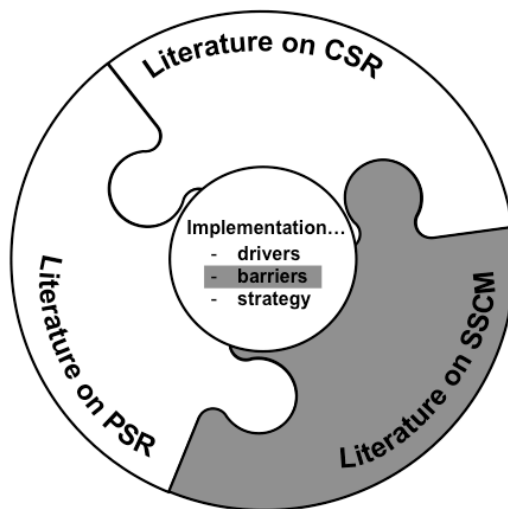
External drivers of SSCM comprise government policies, legal demands and regulation, including all modes of control - from local municipalities to multinational governments (Carter & Ellram, 1998; Walker & Jones, 2012; Zhu, Sarkis, & Geng, 2005; Harms et al., 2013; Seuring & Müller, 2008; Agyemang, Zhu, Adzanyo, Antarciuc, & Zhao, 2018; Biswal et al., 2017; Govindan & Hasanagic, 2018), competitive pressure between firms (Forman & Sogaard, 2004; Harms et al., 2013; Ghadge, Choudhary, & Bourlakis, 2017) and between entire supply chains (Fawcett et al., 2008; Seuring & Müller, 2008), as well as supplier requests (Seuring & Müller, 2007; Vachon & Klassen, 2008). Other major external drivers include the increased consumer demand for sustainable practices of organizations (Handfield, Walton, Seegers, & Melnyk, 1997; Walton, Handfield, & Melnyk, 1998; Fawcett et al., 2008; Harms et al., 2013; Seuring & Müller, 2008; Webb, Mohr, & Harris, 2008; Ghadge et al., 2017; Biswal et al., 2017), shareholder requests (Trowbridge, 2001; Seuring & Müller, 2008) and the pressure of NGOs which closely monitor the development of SSCM in organizations (Walker & Jones, 2012; Seuring & Müller, 2008; Harms et al., 2013; Koplin, Seuring, Mesterharm, 2007; Biswal et al., 2017). In fact, as Roberts (2003) suggest, NGOs may hold focal MNCs responsible for environmental and social SSCM misbehavior and strongly harm the reputation of these firms.

To sum up, Figure 10 provides an overview of the identified SSCM implementation drivers and demonstrates the saturation level of research.

| | | | | SSCM |
|---------|----------|--|---|------|
| Drivers | Internal | Motivation: economic self-interest / potential business benefits | Essential for long-term business survival and for improvement of financial performance | xx |
| | | | Through risk minimization (minimization of reputational damage to avoid loss of market share) | xx |
| | | | Through an increased customer satisfaction by meeting / exceeding sustainability expectations | xx |
| | | | Through gain or increase of competitive edge / market differentiation | xx |
| | | | Through enhancement of overall economic standing | xx |
| | | | Through an increase of the overall reputation and image | xx |
| | | | Through cost savings | xx |
| | | | Through enhancing the relationship with shareholders and attracting future investors | xx |
| | External | Pressures from a variety of stakeholders | Consumers | xx |
| | | | Shareholders / investors | xx |
| | | | NGOs | xx |
| | | | Suppliers | x |
| | | | Competitors | x |
| | | | Other supply chain parties | x |
| | | | Governments: current and anticipated laws and regulations | xx |
| | | | "xx" = extensive research; "x" = little research | |

Figure 10: SSCM implementation drivers

3.2.3 Implementation barriers



Research on SSCM does not predominantly distinguish between internal and external barriers to SSCM implementation. Walker and Jones (2012) are one of the few making such a differentiation. The authors conducted a case study on UK companies known as leaders in SSCM with the aim to explore their SSCM approach. Their findings illustrate a typology of approaches to

SSCM, classified into four categories, based on internal and external SSCM drivers and barriers. Among major barriers, Walker and Jones (2012) list the lack of management commitment and support. This is also supported by Fawcett et al. (2008), Al-Odeh and Smallwood (2012), Beske and Seuring (2014), Holt and Ghobadian (2009), Walker and Jones (2012), Harms et al. (2013), Kaur, Sidhu, Awasthi, Chauhan, and Goyal (2018), Agyemang et al. (2018), Balon, Sharma, & Barua (2018) and Pagell and Wu (2009). Furthermore, conflicting organizational structures and culture (e.g. Tyndall,

Gopal, Partsch, & Kamauff, 1998; Niemann, Kotze, & Adamo, 2016) as well as a general resistance to change (Fawcett et al., 2008; Balon et al., 2018) are listed as further barriers.

Other internal barriers according to research include a lack of strategy alignment (Fawcett et al., 2008), lack of financial resources and lack of the willingness to invest in SSCM (Morali & Searcy, 2013; Balon et al., 2018) and the perceived higher costs of implementing SSCM (Seuring & Müller, 2008; Walker & Jones, 2012; Al-Odeh & Smallwood, 2012; Maloni & Brown, 2006; Govindan, Kaliyan, Kannan, & Haq, 2014; Agyemang et al., 2018; Majumdar & Sinha, 2018; Niemann et al., 2016). In fact, Seuring and Müller (2008) suggest that higher costs occur through intensive SSCM compliance controls, monitoring, performance evaluation, reporting, and higher communication efforts. However, this contradicts the opinion of e.g. Fawcett et al. (2008), who conducted a comprehensive mixed methods analysis on the benefits and barriers to SSCM as well as Geffen and Rothenberg (2000) who emphasize that SSCM actually decreases overall costs through joint efforts of supply chain partners (as explained in the previous chapter).

Further recognized internal barriers to SSCM implementation include a general lack of SSCM knowledge, understanding and awareness (Al-Odeh & Smallwood, 2012; Morali & Searcy, 2013; Seuring & Müller, 2008; Kaur et al., 2018), lack of training for new mind-sets and skills (Fawcett et al., 2008; Walker & Jones, 2012; Balon et al., 2018), lack of appropriate corporate structures and processes (Griffiths & Petrick, 2001; Walker, Di Sisto, & McBain, 2008), lack of operational alignment (Fawcett et al., 2008) and a missing ability to coordinate complex undertakings (Seuring & Müller, 2008; Biswal et al., 2017). In fact, research emphasizes that focal organizations willing to implement SSCM need to establish a clear understanding and knowledge of SSCM and distribute this information along the supply chain. In other words, scholars suggest that SSCM cannot be integrated without supply chain parties' full understanding of this undertaking. Hence, focal organizations should offer training and provide education to supply chain entities (Morali & Searcy, 2013; Seuring & Müller, 2008).

To obtain knowledge on SSCM, firms may turn to multiple sources as depicted in Figure 11, which may also be used to develop own SSCM codes of conduct, to obtain certifications or to verify the SSCM status of the supply chain partners.

| SSCM norms, standards, and certifications | Source |
|--|--|
| OECD guidelines for multinational enterprises | Beske, Koplin, & Seuring, 2008; Harms, Hansen, & Schaltegger, 2013 |
| UN Global Compact | Beske, Koplin, & Seuring, 2008; Harms, Hansen, & Schaltegger, 2013; Maloni & Brown, 2006 |
| Global Sullivan Principles | Beske, Koplin, & Seuring, 2008; Harms, Hansen, & Schaltegger, 2013; Maloni & Brown, 2006 |
| International Labour Organization (ILO) Conventions | Ashby, Leat, & Hudson-Smith, 2012; Boyd, Spekman, Kamauff, Werhane, 2007; Harms, Hansen, & Schaltegger, 2013 |
| Global Reporting Initiative (GRI) | Beske, Koplin, & Seuring, 2008; Tate, Ellram, & Kirchhoff, 2010 |
| AccountAbility 1000 | Beske, Koplin, & Seuring, 2008; Maloni & Brown, 2006 |
| ISO 14001 / ISO 14000 | Beske, Koplin, & Seuring, 2008; Beske & Seuring, 2014; Harms, Hansen, & Schaltegger, 2013; Maloni & Brown, 2006; Tate, Ellram, & Kirchhoff, 2010 |
| Social Accountability 8000 (SA 8000) | Beske, Koplin, & Seuring, 2008; Ciliberti, De Groot, De Haan, & Pontrandolfo, 2009; Maloni & Brown, 2006; Yawar & Seuring, 2015 |
| Eco-Management and Audit Scheme (EMAS) | Beske, Koplin, & Seuring, 2008; European Commission, 2016; Harms, Hansen, & Schaltegger, 2013; Wittstruck & Teuteberg, 2012 |
| ISO 26000 | Castka & Balzarova, 2008; ISO, 2016 |
| Global Environmental Manufacturing Initiative (GEMI) | GEMI, 2016; Tate, Ellram, & Kirchhoff, 2010 |
| Own codes of conduct | Amaeshi, Osuji, & Nnodim, 2008; Andersen & Skjoett-Larsen, 2009; Beske, Koplin, & Seuring, 2008; Ciliberti, De Groot, De Haan, & Pontrandolfo, 2009; Yawar & Seuring, 2015 |

Figure 11: SSCM norms, standards, certifications

Other barriers refer to the human resources area. For example, Walker and Jones (2012) and Al-Odeh and Smallwood (2012) emphasize that shortage on adequate SSCM human resources leads to difficulties in formulating a SSCM strategy and hinders the operationalization of this concept within organizations. Maloni and Brown (2006) suggest that a lack of required human resources may be a result of limited financial resources. Further barriers comprise a lack of SSCM performance measurement (Rao & Holt, 2005; Walker & Jones, 2012) or inconsistent / inadequate performance measures (Fawcett et al., 2008; Schaltegger & Burrit, 2014).

Academic literature on SSCM also lists the aspect of being afraid of eventual trade-offs between the quality of products and SSCM aspects (Al-Odeh & Smallwood, 2012), especially in regards to heavy price wars in some industries (Maloni & Brown, 2006). Uncertainty plays also an important role in regards to

perceived organizational possibilities. For example, Al-Odeh and Smallwood (2012) in their literature review on SSCM, suggest that organizations are often unsure whether they are able to ensure SSCM compliance throughout the entire supply chain. This applies particularly to organizations with a great amount of supply chain entities, volatile supply chains and also situations in which focal organizations hold a low bargaining power over their suppliers.

Finally, another internal barrier to SSCM implementation concerns information systems and technological incompatibility. As suggested by Meyer et al. (2017) and Fawcett et al. (2008) some firms are rather inflexible when it comes to changing their IT-systems and processes and this often hinders organizations to implement SSCM as systems usually need to be integrated to reach transparency and simplify collaboration.

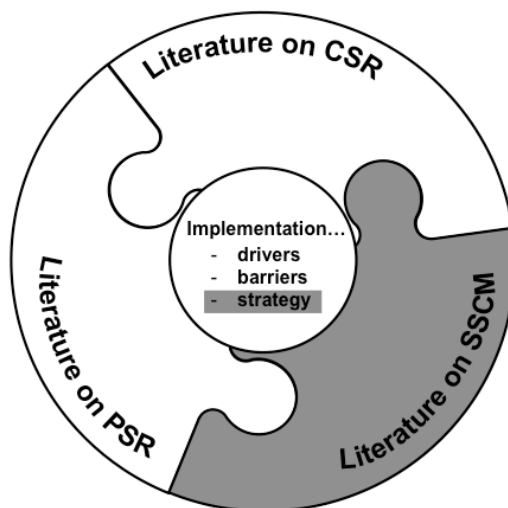
According to previous research, external barriers include a lack of government regulations (Walker & Jones, 2012; Porter & Van de Linde, 1995; Al-Odeh & Smallwood, 2012; Majumdar & Sinha, 2018; Niemann et al., 2016), less regulated industries (Zhu & Sarkis, 2006; Walker & Jones, 2012), consumer insensitivity towards sustainability issues and primary desire for low prices (Orsato, 2006; Walker & Jones, 2012; Majumdar & Sinha, 2018), poor supplier commitment (Walker et al., 2008; Wycherley, 1999; Walker & Jones, 2012; Fawcett et al., 2008), insufficient or missing communication among supply chain members (Seuring & Müller, 2008), as well as a general lack of trust among supply chain parties (Fawcett et al., 2008). As e.g. Fawcett et al. (2008, p. 37) point out, some organizations “*are change averse and unwilling to share information for fear of exposing their weakness and secrets to others*”.

To sum up, Figure 12 provides an overview of the identified barriers to SSCM implementation and demonstrates the saturation level of research. Currently there is no research providing explanations and insights on how companies deal with and overcome these barriers.

| | | | | SSCM |
|----------|----------|---|--|---|
| Barriers | Internal | Motivation | Lack of top management motivation to implement this concept | xx |
| | | | General lack of commitment to engage in the concept's activities | xx |
| | | | Management's insufficient understanding of the importance and benefits of this concept | xx |
| | | | Missing willingness to invest in SSCM | xx |
| | | | General resistance to change the existing company culture and adapt this concept | xx |
| | | Financial considerations | Lack of financial resources / necessary funds to implement and to maintain operations | xx |
| | | | Resistance to implement this concept due to assumed trade-offs between implementation benefits and operational costs and profits | xx |
| | | Non-financial considerations | Lack of required non-financial resources (e.g. human resources) to implement and operate this concept | xx |
| | | | Lack of SSCM knowledge | xx |
| | | | Conflicting organizational structure, processes, and culture | x |
| | | | Lack of training for new mind-sets and skills | x |
| | | | Lack of SSCM performance measurement | xx |
| | | | Lack of operational alignment | x |
| | | | Lack of internal coordination / missing ability to coordinate complex undertakings | x |
| | | | Uncertainty about organizational (IT / technological) capabilities | x |
| | External | | External requirements | Lack of (industry) regulations and laws on this concept |
| | | Lack of trust within the supply chain | | xx |
| | | Poor supplier commitment | | xx |
| | | Missing / insufficient communication among supply chain members | | xx |
| | | No external stakeholder pressure | From consumers / customers | xx |
| | | | "xx" = extensive research; "x" = little research | |

Figure 12: Barriers to SSCM implementation

3.2.4 Key strategic implementation measures



As the focus of this dissertation is on the strategic implementation of Purchasing Social Responsibility, this chapter outlines selected literature on SSCM implementation, with the objective to derive implications for the specific focus of this study. This means that SSCM literature on implementation issues regarding topics such as product stewardship, recycling, reverse

logistics, sustainable design and packaging, sustainable transportation or reverse logistics is disregarded.

Even though the research area on SSCM has been growing for over a decade, *“there are still fundamental issues researchers need to address in order to offer managers prescriptive models of how to create sustainable supply chains”* as Pagell and Wu (2009, p. 37) claim in their study on SSCM. In particular, the authors suggest that while much research has focused on the question whether the implementation of SSCM pays off for organizations, many scholars believe this aspect is irrelevant because it is increasingly clear that due to stakeholder pressures firms will need to deal with sustainability issues. Moreover, in line with Carter and Jennings (2002b) the authors propose that future research should investigate the entire chain instead of focusing on particular SSCM dimensions or activities and also research should consider all triple bottom line dimensions in SSCM studies.

The focus on particular SSCM activities or dimensions is also visible regarding SSCM implementation in practice, following Spence and Bourlakis (2009), who investigated the evolution from CSR to SSCM by conducting a qualitative case study of Waitrose, a leading UK food retailer. Based on the example of Waitrose, their findings suggest that even those firms that are perceived to be leading in SSCM do not manage to achieve excellence in all SSCM areas and hence focus on mastering specific subtopics. In fact, e.g. Carter and Liane Easton, (2011, p. 47) point out that *“supply chain managers often initiated and managed past projects in a standalone fashion, without a clear, holistic, and more strategic understanding of how these pieces of the puzzle fit together to create their organization’s overall sustainability position”* while they *“also often overlooked opportunities to learn from the successes and failures of one type of initiative -say in the environmental arena - and apply this knowledge to future projects in other parts of their organization and in other areas of sustainability, such as diversity and safety issues”* (Carter & Liane Easton, 2011, p. 47). Overall, despite the fact that many MNCs have responded to the expectations of the stakeholders to implement SSCM and ensure compliance (Andersen & Skjoett-Larsen, 2009), there is still a gap *“between the desirability of supply chain sustainability in theory and the implementation of sustainability in supply chains in practice”* (Andersen & Skjoett-Larsen, 2009, p. 57).

Taking a look at academic research on strategic SSCM implementation in organizations, one will find scarce and rather fragmented information and not

one complete implementation guide. The following paragraphs detail this fragmented identified information on the key strategic measures for SSCM implementation. Research on continuous improvement activities was not found in the literature. As most research on SSCM takes up the notion of the focal firm in the supply chain being the initiator of SSCM (Beske & Seuring, 2014; Brockhaus, Kersten, & Knemeyer, 2013; Kaufmann & Carter, 2006; Keating, Quazi, Kriz, & Coltman, 2008; Varsei, Soosay, Fahimnia, & Sarkis, 2014) the following information is also following this perspective.

- **Strategic SSCM implementation measures:**

- **Adaption of the organizational structure / setup of an implementation project team:**

According to e.g. Morali and Searcy (2012) in most cases organizations do not set up a particular central strategic SSCM department. Instead, organizations tend to distribute SSCM experts throughout the organization. This often leads to unclear job descriptions and responsibilities. Nonetheless, research suggests setting up a strategic SSCM department in order to control and coordinate SSCM performance (Harms et al., 2013; Walker et al., 2008).

- **Integration of the SSCM strategy into the overall business strategy:**

The majority of research suggests that the SSCM strategy should be derived from the overall business strategy and integrated into the overall company culture and corporate policy (Seuring & Müller, 2008; Walker & Jones, 2012; Beske & Seuring, 2014; Morali & Searcy, 2013; Carter & Liane Easton, 2011; Carter & Rogers, 2008; Hoejmose, Brammer, & Millington, 2013). As e.g. Morali and Searcy (2013) claim in their case study on the integration of SSCM on the example of approximately 100 Canadian companies, indeed many organizations have a SSCM strategy in place. However, the question whether the SSCM strategy should be spread, accepted, and integrated along all entities of the supply chain is not discussed in the literature.

- **Clarification of the optimal set and scope of SSCM initiatives and translation of SSCM goals into clear objectives:**

Once the SSCM strategy is developed, scholars propose that clear goals and practices need to be formulated to integrate SSCM into the daily business (Pagell & Wu, 2009; Beske & Seuring, 2014). Moreover, Pagell and Wu (2009) who conducted multiple case studies on the elements required to implement SSCM, emphasize in their findings that SSCM must become a part of every employee's job throughout the supply chain in order to be successful in SSCM.

- **Encouragement of the application of SSCM standards in the supply chain:**

Researchers claim that focal firms willing to implement SSCM should advise / (and often) request their supply chain partners to obtain SSCM-related standards or certificates, such as the ISO 14000/1 or SA 8000 (Vachon & Klassen, 2008; Morali & Searcy, 2013). In fact, standards are suggested to add legitimacy to an organization and have a positive impact on risk management (Müller et al., 2009). Furthermore, supply chain entities are often required to comply with the focal organization's code of conduct. In addition to this, focal firms demand that their supply chain partners are audited by their auditors of trust to verify their SSCM progress (Morali & Searcy, 2013; Wu & Pagell, 2011). In fact, according to Wittstruck and Teuteberg (2011) obtained certifications and implemented standards are signals demonstrating SSCM adherence throughout the supply chain and are believed to have a positive influence on a common SSCM strategy.

- **Development of a common infrastructure and understanding:**

Research suggests that successful SSCM strategies require similar structures among supply chain parties. From the technical perspective this includes the IT infrastructure (Fynes, Burca & Mangan, 2011) as well as from the non-technical perspective the development of common objectives or even sharing of risks and profits (Mentzer et al., 2002) in order to reduce uncertainty and increase overall trust (Gold, Seuring & Beske, 2010). Furthermore, the implementation of a uniform IT structure is suggested to

support the development and exchange of knowledge and expertise, and to enable efficient collaboration (Wittstruck & Teuteberg, 2011).

- **Communication of SSCM measures:**

Scholars suggest that in order to build up specific SSCM knowledge, supply chain-wide communication is essential (Seuring & Müller, 2008; Wittstruck & Teuteberg, 2011; Essig & Arnold, 2001; Morali & Searcy, 2013; Perry & Towers, 2012). For this, as explained in the previous paragraph, adequate IT interfaces should be made available to all supply chain partners (Essig & Arnold, 2001; Wittstruck & Teuteberg, 2011). Continuous learning and communication are claimed to increase the performance and competitive advantage of the overall supply chain. It may further reduce overall costs and uncertainty due to an increase in trust (Morali & Searcy, 2013; Chen & Paulraj, 2004; Vachon & Klassen, 2008; Kwon & Suh, 2005). Overall, communication in the supply chain is viewed as a key to achieving sustainability (Sarkis, Zhu, & Lai, 2011) as it leads to collaboration which in turn may enable joint product developments (e.g. sustainable products), increased levels of planning and lead to efficient use of resources (Morali & Searcy, 2013). Usually, information and knowledge is not equally spread in a supply chain. Thus, an ongoing communication can decrease the information dissymmetry and enhance the understanding for the conditions and operations of each partner, and ultimately lead to joint sustainable development according to Sarkis et al. (2011) and Perry and Towers (2012).

- **Development of performance indicators for monitoring supply chain partners:**

SSCM literature suggests that monitoring the SSCM performance of its supply chain partners is essential to SSCM compliance. Hence, as a first step, researchers emphasize that focal organizations need to develop key performance indicators according to their SSCM strategy and the triple bottom line dimensions. These KPIs may then be used to monitor the performance and progress of all supply chain entities (Morali & Searcy, 2013).

- **Decision upon the right approach to monitor supplier performance and to handle supplier non-compliance:**

Monitoring performance is acknowledged as particularly important, as SSCM shortcomings may lead to a loss of reputation (Beske & Seuring, 2014). Hence focal organizations need to decide on the right approach to monitor the performance of the supply chain entities according to the developed SSCM KPIs. In order to monitor supplier performance, IT monitoring systems need to be developed and installed across the supply chain (Morali & Searcy, 2013; Seuring & Müller, 2008). Other monitoring procedures include simple questionnaires, formal audits, and site inspections (Morali & Searcy, 2013). Furthermore, e.g. Seuring and Müller (2008) emphasize that the focal organization needs to determine the consequences of SSCM non-compliance, e.g. in form of sanctions.

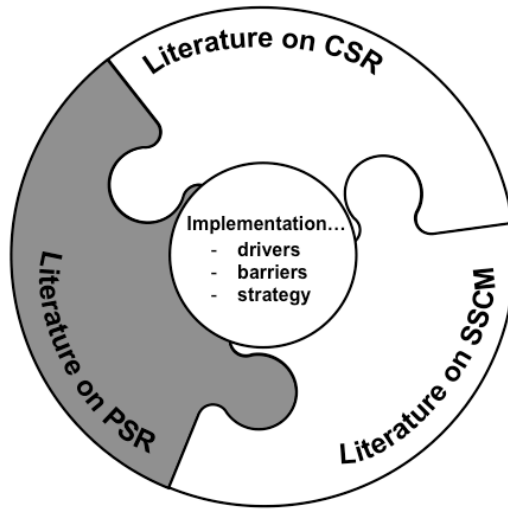
To sum up, Figure 13 provides an overview of the identified strategic implementation measures and depicts the saturation level of research.

| | | SSCM |
|--|--|------|
| Strategic implementation measures | Adaption of the organizational structure / setup of an implementation project team | x |
| | Integration of the SSCM strategy into the overall business strategy | x |
| | Clarification of the optimal set and scope of SSCM initiatives and translation of SSCM goals into clear objectives | x |
| | Encouragement of the application of SSCM standards in the supply chain | x |
| | Development of a common infrastructure and understanding | x |
| | Communication of SSCM measures | x |
| | Development of performance indicators for monitoring supply chain partners | x |
| | Decision upon the right approach to monitor supplier performance | x |
| | Decision upon the right approach to handle supplier non-compliance | x |
| "xx" = extensive research; "x" = little research | | |

Figure 13: Strategic SSCM implementation measures

3.3 Literature on Purchasing Social Responsibility

3.3.1 Introduction



The analysis of Purchasing Social Responsibility literature shows that first interest in the field of PSR can be traced back as far as the late 1960's, however, after a longer pause in recent years researchers have returned to the concept as a subdivision of CSR (Mont & Leire, 2009a; Mont & Leire, 2009b; Carter & Jennings, 2004) and SSCM (Dani, 2015; Idowu & Louche, 2011). Until

today, however, PSR finds itself at a critical juncture regarding its development with many remaining questions as to the scope, definition and application in practice (Hoejmose & Adrien-Kirby, 2012; Seuring & Müller, 2008; Lau, 2011; Walker & Phillips, 2009; Tate, Ellram, & Dooley, 2012; Walker, Miemczyk, Johnsen & Spencer, 2012).

Looking at practice, today it is not only expected that MNCs follow CSR guidelines within their own organizational borders and juridical walls, rather they should ensure CSR adherence for all their suppliers, even though they have no ownership of their providers and intermediaries (Andersen & Skjoett-Larsen, 2009; Mont & Leire, 2009a; Mont & Leire, 2009b; Krause et al., 2009; Miemczyk et al., 2012; Lee & Kim, 2009; Roberts, 2003). As Miemczyk et al. (2012, p. 478) point out, *"a company is no more sustainable than the suppliers from which it sources"*. This strategic importance of PSR demands that all parties and activities involved in the purchasing function are managed and controlled according to CSR standards either developed by the organization itself or by other prominent guidelines. Failure to do so may strongly harm the reputation of the organization (Pedersen & Andersen, 2006).

Hence, integrating CSR into purchasing has emerged as an important practice and research area in the last decade (Kumar et al., 2014), especially in the light of multiple PSR-related scandals such as use of child labor in West African

cocoa farms (Manza, 2014) or the involvement of European textile companies in irresponsible and dangerous working conditions in their supply chains, gaining the peak of media attention with the collapse of the Rana Plaza building in 2013 (Werner et al., 2014).

In fact, multiple scholars suggest that this increased interest in PSR stems from the growing awareness of social and environmental issues (Kumar et al., 2014) and the fact that stakeholders and the greater society want to understand under which conditions products were produced (Locke & Romis, 2007; Foerstl, Reuter, Hartmann, & Blome, 2010). Consumers also increasingly demand products that were produced in a socially and environmentally friendly way (Lau, 2011). This increasing awareness is coupled with the fact that *“as a consequence of increased globalization, the number of suppliers for raw materials and preliminary products a company has access to has been growing rapidly in recent years”* (Beske et al., 2008, p. 64) and MNCs increasingly source raw materials, products and other supplies from a wide range of suppliers from usually low-cost developing countries. Due to the low environmental and social standards in these countries, research argues that suppliers and MNCs often take advantage of the local situations or simply ignore the given conditions (Beske et al., 2008; Preuss, 2001).

In line with the increasing interest in PSR, nowadays one can observe a positive development, which is that a large number of MNCs have implemented social and environmental annual reports, sustainability strategies and voluntary codes of conduct. *“However, despite many multinational corporations’ efforts to implement social and environmental issues in their supply chains, a gap exists between the desirability of supply chain sustainability in theory and the implementation of sustainability in supply chains in practice”* (Andersen & Skjoett-Larsen, 2009, p. 78). Hence, there are only a few firms that are acknowledged as being truly successful in the area of PSR (Schneider & Wallenburg, 2012). Research investigated multiple reasons for this scenario: a lack of information on how to strategically implement PSR into an organization, missing knowledge on how to ensure alignment of PSR goals with overall business goals and a lack of information regarding the strategic elements that need to be considered for a successful PSR implementation (Maignan et al., 2002; Leire & Mont, 2009; Schneider & Wallenburg, 2012). For

example, Maignan et al. (2002, p. 1) emphasize that “*while an increasing number of business leaders have recently acknowledged the importance of corporate social responsibility at the firm level, most of them are still uncertain about the implications of this concern for the purchasing function. Even when they recognize the relevance of corporate social responsibility, many purchasing managers do not know how to concretely (...) include social issues into purchasing decisions.*”

Taking a look at the term describing this concept, the inclusion of CSR in purchasing is primarily labeled as Purchasing Social Responsibility when considering all of the concepts’ dimensions (Carter & Jennings, 2004). However, since the term is rather new to both research and practice (Hoejmose & Adrien-Kirby, 2012; Seuring & Müller, 2008; Lau, 2011) and does not occur often in academic literature (Walker & Phillips, 2009) other keywords comprising the same or very similar subject can be found in various articles (Carter & Jennings, 2004; Mont & Leire, 2009a; Mont & Leire 2009b). Figure 14 depicts these identified terms.

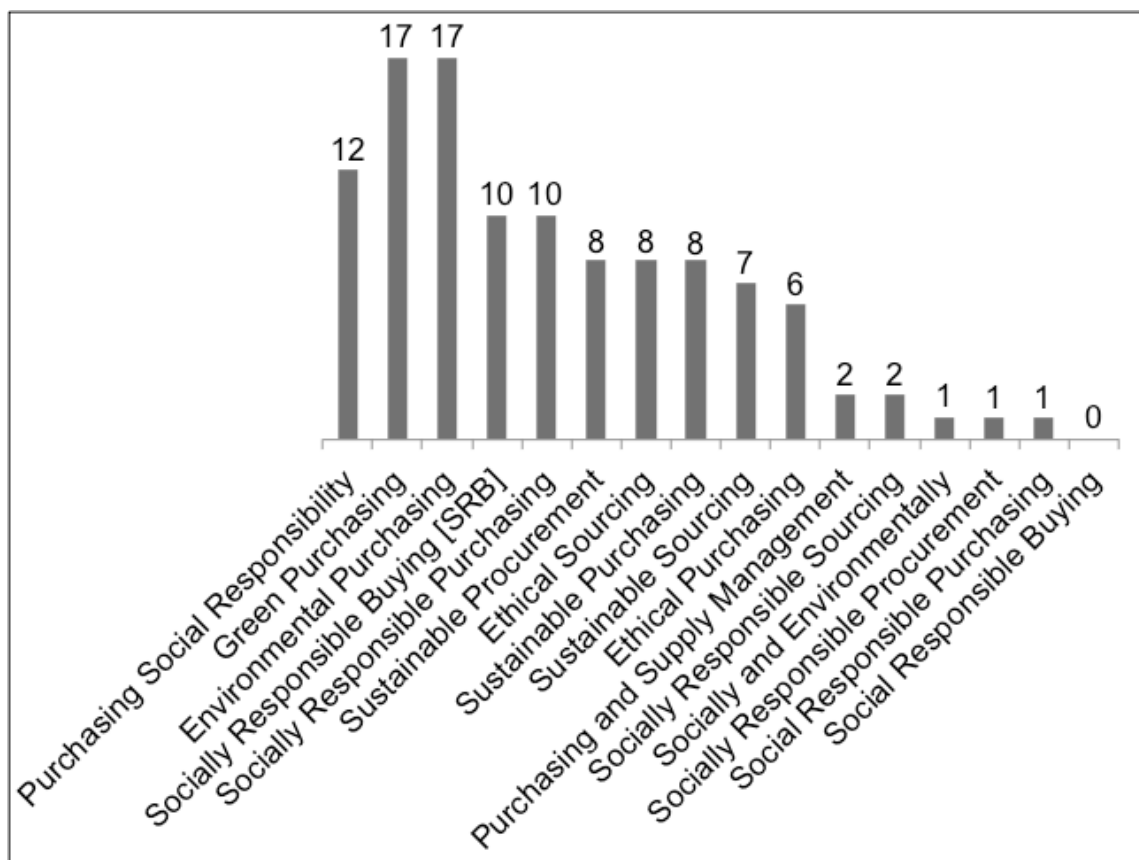


Figure 14: PSR related (sub)topics, concepts & keywords (see Appendice A for further details)

Figure 14 further demonstrates that the majority of researchers use the terms “green purchasing” and “environmental purchasing” when referring to PSR. This highlights the strong focus on the environmental dimension of this topic in academia as further confirmed by Lee and Kim (2009), Seuring and Müller (2008), Walker and Phillips (2009), Cruz (2008), Genovese, Lenny Koh, Bruno, and Esposito (2013), Gimenez, Sierra, and Rodon (2012), Zsidisin and Siferd (2001), Klassen and Johnson (2004) and Goebel et al. (2012). Looking at practice, e.g. Lee and Kim (2009) claim in their mixed methods study on supply management and CSR that the adoption of the environmental standard ISO 14001 in the upstream supply chain is much more common than the adoption of social standards such as SA 8000 or AA 1000. They suggest that the reason for this lies in the difficulty to grasp social topics and to develop tangible appropriate key performance indicators. This is also supported by Walker and Phillips (2009). Another reason for the environmental focus may be due to lobby groups such as Greenpeace who are strongly promoting the green dimension. Overall, research does not provide an answer to why PSR’s environmental focus has taken precedence (Walker & Phillips, 2009). Nonetheless, following academic literature, PSR does not solely focus on the environmental dimension. It covers all three triple bottom line dimensions as emphasized in the few existing PSR definitions.

In fact, while one will find that research on PSR has long debated the correct definition of this concept, yet there remains no widely accepted definition of PSR. Among the most prominent definitions is e.g. the one by Carter and Jennings (2004, p. 151) who define PSR as “*purchasing activities that meet the ethical and discretionary responsibilities expected by society*” or the one by Pagell, Wu, and Wasserman (2010, p. 58) who argue that PSR is about “*managing all aspects of the upstream component of the supply chain to maximize triple bottom line performance*”. The triple bottom line concept with regards to PSR is also confirmed by Schneider and Wallenburg (2012) and Walker and Jones (2012) who define sustainable sourcing as the inclusion of economic, social, and environmental considerations into the purchasing process, minimizing negative impacts in the upstream supply chain. Furthermore, many academic scholars define PSR as a CSR extension of the purchasing department (Carter & Jennings, 2004) and / or part of the greater

concept of SSCM (Dani, 2015; Idowu & Louche, 2011), with the aim to enhance the social, economic, and environmental well-being of the upstream supply chain (Walker & Jones, 2012; Leire & Mont, 2009; Lau, 2011; Maignan et al., 2002; Carter & Jennings, 2004).

Following these definitions, research agrees that Purchasing Social Responsibility goes beyond traditional purchasing tasks. Traditional purchasing departments are in general responsible for procuring all necessary supplies and services for the organization based on price, quality, and delivery criteria. This not only includes products and services required for production but also comprises all other supplies and services required for daily business. The main tasks of the purchasing function in organizations are supplier selection and management of existing suppliers. Purchasing departments must find and select appropriate products and services (to a given quality and price) as well as appropriate trustworthy suppliers. Further major tasks include make-or-buy decisions, direct and indirect buying decisions, inventory management, continuous evaluation of materials and services that need to be purchased, and budgeting. All tasks need to be compliant with internal policies and organizational requirements (Monczka, Handfield, Giunipero & Patterson, 2015; Stolle, 2008; Van Weele, 2009). When integrating the PSR concept, organizations need to add additional tasks to the purchasing department. For example, supplier selection should exceed the traditional purchasing criteria such as cost, quality, and delivery (Chary, 2009) and also include triple bottom line factors (Lau, 2011). Services and products as well as suppliers should be selected focusing on triple bottom line aspects (Maignan et al., 2002; Carter & Jennings, 2004). These aspects aim to ensure that the purchased products and services are manufactured in an ethical way, minimizing the negative social, environmental, and economic impacts in the upstream supply chain. However, PSR tasks are proposed to not only cover product, services and supplier selection activities. Instead PSR should include the consideration of all triple bottom line aspects during the entire buyer-supplier relationship, from supplier selection until the end of the buyer-supplier contract (Walker & Jones, 2012). As such, as e.g. Van Tulder and Van der Zwart (2006) and Goebel et al. (2012) emphasize that firms must also determine how they can evaluate the PSR adherence of suppliers, assess how they are planning to monitor supplier

compliance and describe the consequences of non-compliance (Pedersen & Andersen, 2006). In other words, products and services as well as supplier conditions during the entire buyer-supplier relationship must meet certain PSR criteria. These criteria should correspond to the triple bottom line and be based along seven dimensions: labor and human rights, health and safety, diversity, environment, community, ethics and financial responsibility.

| PSR dimension | Source |
|--|---|
| <i>Labor and human rights</i> | Carter & Jennings, 2000; Lau, 2011; Maloni & Brown, 2006; Maignan, Hillebrand, & McAlister, 2002; Carter & Jennings, 2004; Harms, Hansen, & Schaltegger, 2012; Carter, 2004; Kumar, Palaniappan, Kannan, & Shankar, 2014; Baskaran, Nachiappan, & Rahman, 2011; Lee & Kim, 2009; Xu, Kumar, Shankar, Kannan, & Chen, 2013; Yawar & Seuring, 2015; Kolk & Van Tulder, 2002; Miemczyk, Johnsen, & Macquet, 2012; Leire & Mont, 2009; Mont & Leire, 2009a; Mont & Leire, 2009b |
| <i>Health and safety</i> | Carter & Jennings, 2000; Lau, 2011; Maloni & Brown, 2006; Carter & Jennings, 2004; Harms, Hansen, & Schaltegger, 2012; Carter, 2004; Yawar & Seuring, 2015; Leire & Mont, 2009; Mont & Leire, 2009a; Mont & Leire, 2009b |
| <i>Diversity</i> | Carter & Jennings, 2000; Lau, 2011; Maignan, Hillebrand, & McAlister, 2002; Carter & Jennings, 2004; Harms, Hansen, & Schaltegger, 2012; Carter, 2004; Kumar, Palaniappan, Kannan, & Shankar, 2014; Baskaran, Nachiappan, & Rahman, 2011; Xu, Kumar, Shankar, Kannan, & Chen, 2013; Yawar & Seuring, 2015; Miemczyk, Johnsen, & Macquet, 2012; Leire & Mont, 2009; Mont & Leire, 2009a; Mont & Leire, 2009b |
| <i>Environment</i> | Carter & Jennings, 2000; Lau, 2011; Maloni & Brown, 2006; Carter & Jennings, 2004; Harms, Hansen, & Schaltegger, 2012; Carter, 2004; Kumar, Palaniappan, Kannan, & Shankar, 2014; Baskaran, Nachiappan, & Rahman, 2011; Lee & Kim, 2009; Xu, Kumar, Shankar, Kannan, & Chen, 2013; Zsdisin & Siferd, 2001; Miemczyk, Johnsen, & Macquet, 2012 |
| <i>Community</i> | Carter & Jennings, 2000; Lau, 2011; Maloni & Brown, 2006; Carter & Jennings, 2004; Carter, 2004; Kumar, Palaniappan, Kannan, & Shankar, 2014; Lee & Kim, 2009; Miemczyk, Johnsen, & Macquet, 2012; Leire & Mont, 2009; Mont & Leire, 2009b |
| <i>Ethics</i> | Carter & Jennings, 2000; Lau, 2011; Lee & Kim, 2009; Mont & Leire, 2009b |
| <i>Financial responsibility</i> | Lau, 2011; Harms, Hansen, & Schaltegger, 2012; Kumar, Palaniappan, Kannan, & Shankar, 2014; Lee & Kim, 2009; Xu, Kumar, Shankar, Kannan, & Chen, 2013; Leire & Mont, 2009; Mont & Leire, 2009a |

Figure 15: PSR dimensions

Examples include ensuring safe, healthy and decent working conditions at a firm's suppliers, environmentally friendly production as well as from the economic perspective, fair and transparent contracts with suppliers.

Linking these dimensions to the triple bottom line, financial responsibility corresponds to the economic / profit area, while environment corresponds to the environmental / planet area, and the remainder of the PSR dimensions is summarized under the social / people area.

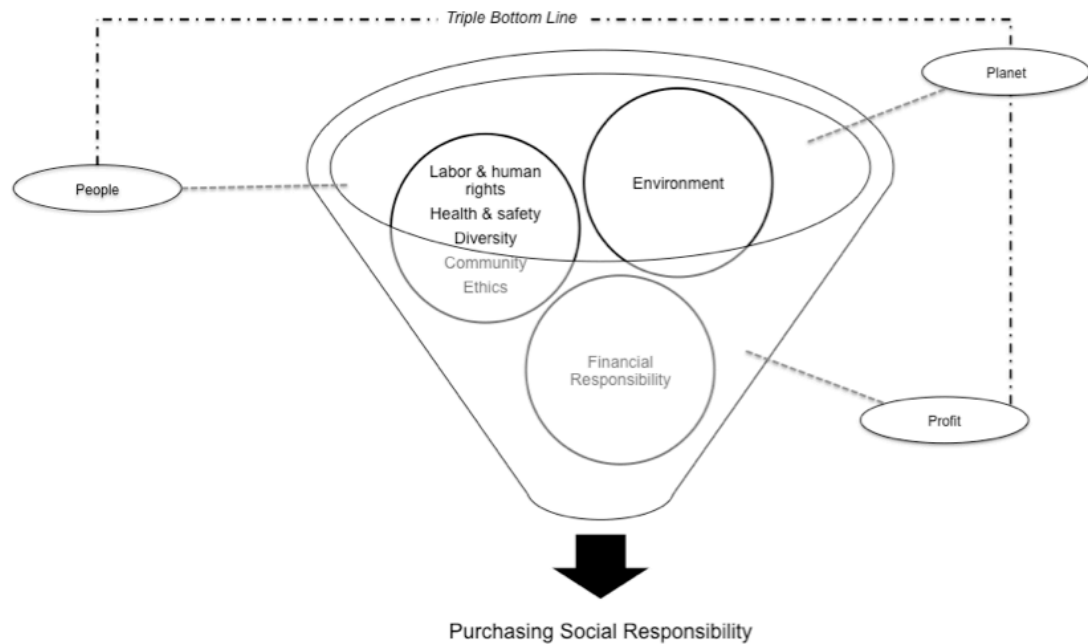


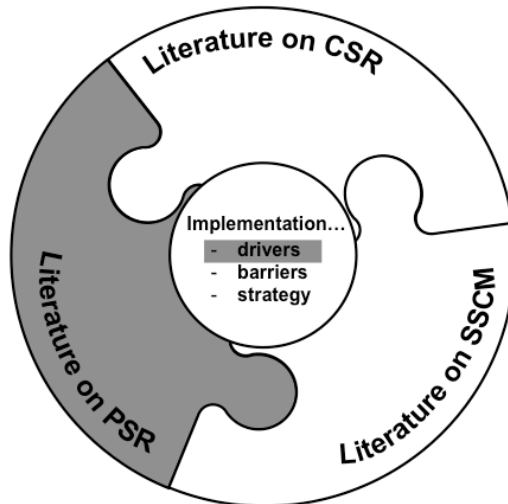
Figure 16: PSR and Triple Bottom Line

Despite these acknowledged PSR dimensions, the emphasis and efforts vary in organizations depending on their unique situation and strategy, knowledge, willingness and possibilities. For example, some businesses put greater emphasis on environmental aspects whereas others prioritize social issues (Walker & Jones, 2012). In fact, Lau (2011), for example, supports the idea of prioritizing and distinguishes between core and non-core PSR responsibilities. As explained in the introduction, the author carried out a case study of a multinational buying office in Hong Kong on their experiences in adopting PSR and suggests that companies view the environment, ethics, health and safety, and human rights as the core / primary dimensions in PSR implementation in comparison to the non-core dimensions diversity, community and financial responsibility. He argues that the non-core dimensions are also important but may be addressed and bundled at the corporate CSR level. Financial responsibility may be e.g. organized, managed, and disclosed within CSR reporting. While this specific distinction is debatable and depends on the unique organizational situation and mission statement, the idea of emphasizing certain dimensions seems pragmatic in the light of limited business resources and capabilities (McWilliams & Siegel, 2001).

In general however, the adherence to these dimensions is not only required for the suppliers but also for the focal organization in order to reach legitimacy. In other words, when the buying firm demands CSR compliant behavior but fails to show it in the practice of its own organization, the supplier will eventually notice. This will lower the image of the buying company. Hence, the buying organization's management should aim to adhere to CSR compliance before requesting similar behavior from its suppliers (Boyd et al., 2007).

Overall, PSR is suggested to bring multiple benefits to organizations and the society. For example, successful PSR is suggested to help “*develop cooperative relationships with suppliers, secures supply sources, reduces direct costs, and improves social and ethical performance. It also improves organizational image and reputation with NGOs and governments*” (Lau, 2011, p. 20). Other benefits for organizations include risk reduction (Hoejmose & Adrien-Kirby, 2012; Roberts, 2003), enhancement of the financial performance and economic position of organizations (Mont & Leire, 2009b; Carter & Jennings, 2000; Lau, 2011), enhancement of organizational learning (Mont & Leire, 2009b; Carter, 2005), competitive advantage (Giunipero et al., 2012; Yen & Yen, 2012; Mont & Leire, 2009b; Roberts, 2003), and firm or brand reputation (Meehan & Bryde, 2011; Mont & Leire, 2009b; Roberts, 2003; Carter & Jennings, 2000; Awaysheh & Klassen, 2010; Lindgreen, Xu, Maon, & Wilcock, 2012) as well as increased customer loyalty and ability to attract and retain employees (Lau, 2011). Benefits for the society and environment include e.g. disposal and resource reduction (e.g. reduction of water and energy usage) through higher resource efficiency e.g. in regards to input materials and parts (Lau, 2011), increased recycling and sales of recycled products through knowledge sharing and collaboration, pollution reduction, sustainable packaging, as well as better working and living standards incl. enhanced employee / workers contract agreements (Lau, 2011; Hollos, Blome, & Foerstl, 2012; Lau, 2011; Carter et al., 2000; Emmelhainz & Adams, 1999; Carter & Carter, 1998).

3.3.2 Implementation drivers



Academic literature on the drivers of PSR implementation mirrors the findings of literature on CSR and SSCM, and also distinguishes between internal and external implementation drivers (Mont & Leire, 2009b).

Similar to literature on CSR and contrasting the literature on SSCM, research on PSR implementation

suggests that internal drivers are based upon altruistic reasons and organizational pragmatism with regard to business benefits (Mont & Leire, 2009b; Roberts, 2003). In fact, Roberts (2003, p. 163) suggests that PSR implementation is *“more likely if there are identifiable benefits from action (cost savings or product / market differentiation) or risks from inaction (reputational damage / loss of market share)”*.

In general, scholars propose that internal drivers of PSR implementation include a moral and ethical motivation and the desire to lead best practice (Meehan & Bryde, 2011), the commitment and support of top management (Salam, 2009; Carter, 2004, Carter, 2005; Carter, Ellram, & Ready, 1998; Wolf, 2011; Worthington, Ram, Boyal, & Shah, 2008; Giunipero et al., 2012; Hoejmosse & Adrien-Kirby, 2012; Yen & Yen, 2012), especially due to their responsibility for business activities and their strong influence on firm culture (Cambra-Fierro, Polo-Redondo, & Wilson, 2008). In fact, Cambra-Fierro et al. (2008) recommend that awareness of PSR importance must be reached at top management level to gain their support, especially due to their responsibility for business activities and their strong influence on firm culture. However, literature does not provide an answer how top management support may be reached. In addition to this, Björklund (2010) and Carter et al. (1998) suggest that not only the commitment of top management but also that of middle management plays an important role in implementing PSR.

Other proposed internal drivers comprise strong leadership skills to guide, negotiate, and allocate resources for PSR implementation (Salam, 2009; Carter et al., 1998), knowledge development and knowledge distribution through established coordination mechanisms (Carter, 2004) and training (Carter et al., 1998) as well as an established people-oriented organizational culture (Carter, 2005) and organizational values (Hoejmose & Adrien-Kirby, 2012). Further internal drivers refer to the economic self-interest / benefits of PSR implementation and include the aim to minimize risks (Hoejmose & Adrien-Kirby, 2012; Roberts, 2003), reduce costs (Meehan & Bryde, 2011; Mont & Leire, 2009b; Roberts, 2003) and thus enhance the financial performance of organizations (Mont & Leire, 2009b; Carr & Pearson, 2002), increase organizational learning (Mont & Leire, 2009b) and enhance both competitive advantage (Giunipero et al., 2012; Yen & Yen, 2012; Mont & Leire, 2009b; Roberts, 2003) and firm reputation (Meehan & Bryde, 2011; Mont & Leire, 2009b; Roberts, 2003; Eltantawy, Fox, & Giunipero, 2009).

External drivers comprise the response to customer and community demands (Carter, 2004; Carter, 2005; Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b; Meehan & Bryde, 2011; Yen & Yen, 2012; Björklund, 2011), supplier demands (Yen & Yen, 2012), NGO pressures (Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b) and shareholder / investor requirements (Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b). Compliance with laws and government regulations is also suggested to act as a major external driver (Carter, 2004; Giunipero et al., 2012; Hoejmose & Adrien-Kirby, 2012; Yen & Yen, 2012). Moreover, Meehan and Bryde (2011) point out that not only current but also anticipated laws and regulations act as external drivers. In fact, Berns, Townend, Khayat, Balagopal, Reeves, Hopkins, and Kruschwitz (2009) suggest that government regulation has the greatest external impact on PSR implementation. This is also supported by Worthington et al. (2008) who name government regulation and customer pressure as the two major drivers.

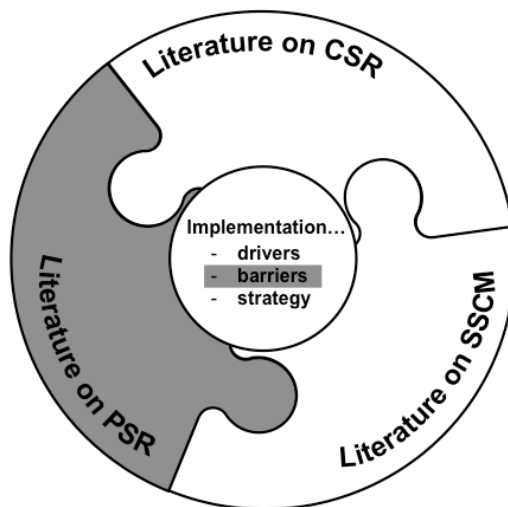
Overall, research suggests that firms experience more external pressure to PSR implementation than internal pressure, meaning that PSR implementation is rather a reactive response to external demands, instead of being a proactive undertaking (Hoejmose & Adrien-Kirby, 2012).

Figure 17 provides a summary of the identified PSR implementation drivers and depicts the saturation level of research.

| | | | | PSR | |
|--|----------------|--|---|--|---|
| Drivers | Internal | Motivation: economic self- interest / potential business benefits | Essential for long-term business survival and for improvement of financial performance | x | |
| | | | Through risk minimization (minimization of reputational damage to avoid loss of market share) | xx | |
| | | | Through gain or increase of competitive edge / market differentiation | x | |
| | | | Through enhancement of overall economic standing | x | |
| | | | Through an increase of the overall reputation and image | xx | |
| | | | Through cost savings | x | |
| | | | Through increase of organizational learning | x | |
| | | Motivation: altruistic reasons | Desire to lead best practice | x | |
| | | | Demand and commitment of top management / personal morality of top management | xx | |
| | | | Demand and commitment of middle management / personal morality of middle management | x | |
| | | | Required skills | Strong leadership to successfully implement the concept | x |
| | | | | Knowledge development and knowledge distribution through established coordination mechanisms | x |
| | | | | Training on the concept | x |
| | Pre-conditions | Established people-oriented organizational culture | x | | |
| | | Established organizational values | x | | |
| | External | Pressures from a variety of stakeholders | Consumers | xx | |
| | | | Community | xx | |
| | | | Shareholders / investors | x | |
| | | | Suppliers | x | |
| | | | NGOs | xx | |
| | | | Governments: current and anticipated laws and regulations | x | |
| "xx" = extensive research; "x" = little research | | | | | |

Figure 17: PSR implementation drivers

3.3.3 Implementation barriers



Similar to research on SSCM, literature on PSR does also not predominantly distinguish between internal and external barriers to PSR implementation. Mont and Leire (2009b) are one of the few making such a differentiation.

Research names multiple barriers to PSR implementation. One of these barriers concerns financial capabilities of organizations. Multiple authors point out that organizations either lack financial resources to implement PSR or are not willing to invest in PSR

(Hoejmose & Adrien-Kirby, 2012; Curkovic & Sroufe, 2007; Orsato, 2006). Others suggest organizations complain that costs of implementing PSR are not clear, prohibiting them to determine and rollout the appropriate implementation strategy (Giunipero et al., 2012; Curkovic & Sroufe, 2007; Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b). According to multiple scholars, typical costs of PSR include initial short-term costs to collect and process stakeholder information on their expectations, to develop systems to apply, monitor, and collect PSR performance and achieve transparency as well as other long-term costs of operation, compliance monitoring, and continuous improvement (Mont & Leire, 2009b; Maignan et al., 2002).

In fact, even though monitoring suppliers receives much criticism to not be the appropriate measure to achieve supplier compliance, according to e.g. Boyd et al. (2007) the majority of organizations perceive monitoring as the main PSR activity. However, the costs of monitoring supplier compliance are suggested to create the largest financial burden of PSR operations and are thus perceived to be a great barrier to PSR implementation (Lau, 2011). When evaluating PSR implementation costs, Lau (2011) argues that organizations have also difficulties in deciding how far they can - due to organizational capabilities - and are willing to take over responsibility for their suppliers, especially in regards to suppliers that are beyond first-tier suppliers. This also includes the consideration of subcontractors. Subcontracting creates a special volatile scenario, creating great monitoring challenges and financial responsibilities.

Overall, research argues that those organizations that focus on economic self-interests are afraid that PSR will not deliver any financial benefits despite its presumed high costs and often resist to implement this concept due to assumed trade-offs between implementation benefits and operational costs and profits (Giunipero et al., 2012; Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b). According to e.g. Curkovic and Sroufe (2007) and Hoejmose and Adrien-Kirby (2012) this is partly due to the fact that benefits of PSR are rather intangible and difficult to measure. Thus, building a business case for PSR is suggested to create a large challenge for organizations (Giunipero et al., 2012).

In line with the cost dimension are also aspects of trust in regards to the firm's suppliers. As Giunipero et al. (2012) emphasize, organizations fear that suppliers may not collaborate and thus implementing PSR might not be useful and resources may be wasted. The trust issue in regards to a firm's suppliers is also supported by Hoejmoose and Adrien-Kirby (2012). Moreover, Hoejmoose and Adrien-Kirby (2012) suggest that in addition to trust there is also the aspect of bargaining power that organizations take into consideration when deciding whether or not to implement PSR. In case, buying firms hold a low bargaining power over their key suppliers, these firms argue that implementing PSR is too risky and too costly, as they hold no power over their supplier's motivation to comply with PSR standards. Hence, they rather resist implementing PSR, presenting a great barrier to PSR implementation.

Another major issue prohibiting PSR implementation is managerial indifference (Carter et al., 1998) and the lack of support from top and middle management (Maignan et al., 2002; Carter et al., 1998; Mont & Leire, 2009b; Carter & Dresner, 2001; Min & Galle, 2001). Other barriers to PSR implementation include a lack of sufficient human resources to implement this concept, lack of adequate, clear and motivating government policies to implement this issue (Giunipero et al., 2012; Mont & Leire, 2009b), as well as no real consensus as to what PSR really means, what systems and processes it requires and what challenges it comprises (Giunipero et al., 2012; Mont & Leire, 2009b; Bowen, Cousins, Lamming, & Faruk, 2001). This lack of consensus is based upon other internal barriers such as lack of training and lack of information regarding PSR. Organizations may understand CSR within their organization, but lack knowledge on the specific issue of PSR (Mont & Leire, 2009b; Cooper, Frank, & Kemp, 2000; Bowen et al., 2001; Günther & Scheibe, 2006).

| PSR norms, standards, certifications and indices | | Source |
|--|--|---|
| Norms, standards, certifications | OECD guidelines for multinational enterprises | Lau, 2011; Leire & Mont, 2009; Wong, Lee, & Sun, 2012 |
| | UN Global Compact | Goebel, Reuter, Pibernik, & Sichtmann, 2012; Lau, 2011; Lee & Kim, 2009; Leire & Mont, 2009; Mont & Leire, 2009b; Wong, Lee, & Sun, 2012 |
| | Global Sullivan Principles | Leire & Mont, 2009 |
| | International Labour Organization (ILO) Conventions | Björklund, 2010; Lau, 2011; Lee & Kim, 2009; Leire & Mont, 2009; Mont & Leire, 2009b; Wong, Lee, & Sun, 2012 |
| | Global Reporting Initiative (GRI) | Björklund, 2010; Cramer, 2008; Lau, 2011; Lee & Kim, 2009; Leire & Mont, 2009; Walker & Phillips, 2009 |
| | AccountAbility 1000 | Lee & Kim, 2009 |
| | ISO 14001 / ISO 14000 | Ageron, Gunasekaran, & Spalanzani, 2012; Björklund, 2010; Chen, 2005; Giunipero, Hooker, & Denslow, 2012; Hoejmosse & Adrien-Kirby, 2012; Kumar, Palaniappan, Kannan, & Shankar, 2014; Lau, 2011; Lee & Kim, 2009; Rao & Holt, 2005; Wong, Lee, & Sun, 2012; Zsdisin & Siferd, 2001 |
| | Social Accountability 8000 (SA 8000) | Andersen & Skjoett-Larsen, 2009; Goebel, Reuter, Pibernik, & Sichtmann, 2012; Hoejmosse & Adrien-Kirby, 2012; Lau, 2011; Lee & Kim, 2009; Leire & Mont, 2009; Mont & Leire, 2009b; Wong, Lee, & Sun, 2012 |
| | Eco-Management and Audit Scheme (EMAS) | European Commission, 2016; Kumar, Palaniappan, Kannan, & Shankar, 2014 |
| | ISO 26000 | ISO, 2016; Lau, 2011; Lee & Kim, 2009; Leire & Mont, 2009; Mont & Leire, 2009b; Wong, Lee, & Sun, 2012 |
| | Business Social Compliance Initiative (BSCI) | BSCI, 2016; Leire & Mont, 2009; Mont & Leire, 2009b |
| | Forest Stewardship Council (FSC) | FSC, 2016; Lau, 2011; Mont & Leire, 2009b; Roberts, 2003 |
| Indices | FTSE4Good | Lee & Kim, 2009; Walker & Phillips, 2009 |
| | Dow Jones Sustainability Index | Lee & Kim, 2009; Mont & Leire, 2009b; Walker & Phillips, 2009 |
| | Accountability Rating | Lee & Kim, 2009 |
| | The Global 100 | Lee & Kim, 2009 |
| | Oekom Research | Lee & Kim, 2009 |
| | Sustainable Investment Research International Rating | Lee & Kim, 2009 |

Figure 18: PSR norms, standards, certifications and indices

According to e.g. Hoejmosse and Adrien-Kirby (2012) and Leire and Mont (2009) in order to gain necessary knowledge and skills, organizations typically turn to various international and national guidelines and standards as depicted in Figure 18, or obtain information from “consultancies, e.g. KPMG and PriceWaterHouseCoopers that are working with social responsibility” (Leire & Mont, 2009, p. 32). Furthermore, research suggests providing training and extensive workshops for top management (Carter et al., 1998) in order to increase knowledge on PSR prior to implementing this concept (Björklund, 2010). Later on, purchasing departments should receive extensive training, followed by workshops for the entire organization (Björklund, 2010).

Misalignment of short-term and long-term strategic business goals, lack of strong leadership skills, and a lack of consensus between the top management

in regards to drivers and reasons for implementing PSR are also suggested to create a major barrier (Giunipero et al., 2012). Furthermore, a general resistance to change the current organizational culture is a widely acknowledged barrier (Hoejmose & Adrien-Kirby, 2012). Next to organizational culture, also the local culture is argued to play an important role. As Hoejmose and Adrien-Kirby (2012), Winstanley et al. (2002) and Vassallo, Cacciatore, Locatelli, Clarke, and Jones (2008) point out, what is considered as the right approach to PSR in one country, may be perceived differently in another e.g. developing country. Ethical expectations often vary in the producing and consuming markets (Vassallo et al., 2008). This is due to the fact that the perception of ethics is suggested to vary in general across countries and cultures (Cooper et al., 2000; Kitchin, 2003; Robertson & Crittenden, 2003; Walker & Phillips, 2009). Hence, country culture creates another barrier to implement PSR. A solution to diverse cultural understandings of ethics may be to acknowledge differences and adapt ethical standards according to local conditions (Hoejmose & Adrien-Kirby, 2012), instead of having one generally applicable PSR standard. This involves the task to understand the local community, their history and ethical development to formulate adjusted PSR strategies (Bird & Smucker, 2007).

Overall, similar to literature on SSCM, also in the case of literature on PSR there are two opinions to the cost issue. Both PSR and SSCM literature areas suggest that the implementation of PSR and SSCM leads to overall cost reduction, acknowledging however that these costs and benefits are difficult to determine, naming costs therefore another implementation barrier.

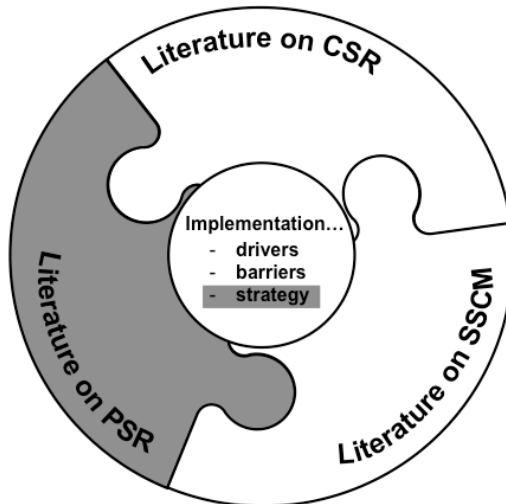
To sum up, Figure 19 provides an overview of the identified barriers to PSR implementation and demonstrates the saturation level of research.

| | | | | PSR |
|----------|----------|--------------------------|--|-----|
| Barriers | Internal | Motivation | Lack of top management motivation to implement this concept | xx |
| | | | Lack of middle management motivation to implement this concept | x |
| | | | General lack of commitment to engage in the concept's activities | xx |
| | | | Management's insufficient understanding of the importance and benefits of this concept | x |
| | | | General resistance to change the existing company culture and adapt this concept | x |
| | | Financial considerations | Lack of financial resources / necessary funds to implement and to maintain operations | xx |
| | | | Lack of financial support by top management | x |
| | | | Fearing that this concept will not deliver any financial benefits despite its presumed high costs | x |
| | | | Resistance to implement this concept due to assumed trade-offs between implementation benefits and operational costs and profits | x |
| | | | Lack of knowledge on the financial effect of this concept's implementation / difficulties to build a business case due to intangible measurement | x |
| | | Required skills | Uncertainty regarding organizational capabilities to implement this concept | x |
| | | | Lack of strong leadership to successfully implement this concept | x |
| | | | Lack of training and information sharing on this concept | x |
| | | | Misalignment of short-term and long-term strategic business goals | x |
| | | | Difficulties in acquiring relevant specific knowledge on implementation and operation of this concept | xx |
| | | | Difficulties in determining the appropriate concept strategy | xx |
| | | Supply chain specific | Low bargaining power over key suppliers | x |
| | | Pre-conditions | Local culture with lower ethical expectations | x |
| | | | Lack of required resources (e.g. human resources) to implement and operate this concept | x |
| | | | Lack of performance measurement for this concept | x |
| | External | Supply chain specific | General lack of trust among supply chain parties / assumption that suppliers will not collaborate | x |
| | | External requirements | Lack of regulations and laws on this concept | x |
| | | | "xx" = extensive research; "x" = little research | |

Figure 19: Barriers to PSR implementation

Besides the suggestion to adapt ethical standards according to local conditions in order to overcome cultural differences when implementing PSR, currently there is no research providing explanations and insights on how companies deal with and overcome the presented barriers.

3.3.4 Key strategic implementation measures



When investigating the literature landscape on PSR implementation, one might find that current research is in a developing phase, providing rather fragmented information and not one exhaustive implementation guide.

The following paragraphs aim to provide a summary of this particular literature, following no stringent

order. Insights on continuous improvement activities were not found. Furthermore, similar to research on SSCM, most research on PSR takes up the notion of the focal firm in the supply chain being the initiator of PSR. Hence, the paragraphs in this chapter also follow this perspective.

- **Strategic PSR implementation measures:**

- **As-is analysis:**

Prior to developing any strategy, research argues that it is essential to understand what the company has accomplished to date and recognize the stage in which it is operating, as well as understand current weaknesses, threats, strengths, and challenges, e.g. through benchmarks (Mirvis & Googins, 2006). This enables framing strategic choices on where PSR should be heading and allows embedding PSR in a greater strategic picture. Helpful for this task is the evaluation of the PSR implementation stage in which the company positions itself (Zadek, 2004).

In comparison to literature on CSR implementation stages, there is only one academic article, namely “The Path to Corporate Responsibility” by Zadek (2004), providing a greater picture of PSR implementation stages. Even though Zadek (2004) first discusses CSR implementation stages, he then applies these stages to a case referring to a typical PSR theme: extraordinary mistakes regarding worker conditions in overseas supply

chains. The case the author uses is the example of Nike in which he describes how the company has transformed from an irresponsible to a leading PSR firm by explaining their development along the described CSR implementation stages. This demonstrates that CSR implementation stages may be applied to PSR implementation stages.

In this article, Zadek (2004) describes the first stage of PSR implementation as the “defensive stage”. Instead of taking on the responsibility for the lack of PSR measures, companies point their fingers at other companies who also lack PSR. In general, in the defensive stage companies tend to reject allegations of PSR violations. The next stage described is the “compliance stage”. In this stage companies realize that a corporate policy is required, needs to be established and made visible to the society. The firm understands PSR compliance as a cost of conducting business and a measure to reduce risks of negative media attention. The ultimate goal is to fulfill minimum requirements. After the compliance stage comes the “managerial stage”, in which companies begin to understand that PSR is a long-term task beyond simple compliance. It is rather a holistic undertaking demanding the adaptation of procurement incentives regarding PSR, division of PSR responsibility among managers, as well as a PSR-focused sales and inventory management. In this stage, establishment of central CSR departments is very common. The pre-final stage is the “strategic stage”, in which companies develop and align their PSR strategy with the overall business strategy and use PSR as a contribution to achieving the company’s long-term goals. Firms realize in this stage that PSR actually is beneficial and can lead to a competitive edge. Here, firms usually engage in multi-stakeholder initiatives and adapt business ethics standards such as the SA8000. Furthermore, firms often develop credible codes of conduct or engage in purchasing alliances with other companies. In the last described stage, named “civil stage”, companies promote their PSR actions to encourage other firms to implement PSR and collectively achieve specific goals. Sharing knowledge and educating others is meant to redefine the future role of business and ultimately shape a better world. In this stage companies often become members of multiple business ethics initiatives and

build alliances with other firms within the industry to increase their bargaining power to enforce suppliers to comply with PSR standards.

- **Benchmarking:**

In order to determine the status quo it may also be useful to conduct a benchmark in order to better understand its own situation. Literature with the focus on PSR supports the idea of benchmarking the PSR strategy and operations. As Björklund (2010) points out, management often lacks information how to embrace the trend towards PSR and lacks knowledge on how to implement the necessary changes regarding purchasing strategy and processes. In order to counter this problem, the author suggests that organizations should use benchmarks in order to understand how to implement or improve organizational activities, processes and management. This is also supported in the literature on CSR, which emphasized that learning from forerunners presents great advantages for CSR implementation (Mirvis & Googins, 2006; Maon et al., 2009; Graafland et al., 2004; Hoejmose & Adrien-Kirby, 2012; Kummer, 2009).

- **Integration of the PSR strategy into the overall business, CSR, or SSCM strategy, and clarification of the optimal set and scope of PSR initiatives:**

Research suggests that the best way to determine a particular substrategy is to derive it from a broader strategic concept (Mirvis & Googins, 2006). Applied to PSR, this means that the PSR strategy should be derived from the broader business, CSR or SSCM strategy. In fact, research suggests that integrating PSR into a greater concept and achieving consistency in the overall organizational vision and mission allows a firm to be competitive (Hayes & Wheelwright, 1984). In other words, PSR management needs to understand the overall CSR or SSCM strategy in order to infer specific PSR goals and strategies and achieve consistency. This alignment includes e.g. the determination of the PSR emphasis, referring to the fact that organizations usually prioritize certain CSR and PSR dimensions over others due to individual priorities and limited resources. For example, in the last years the social dimension has received less attention than the environmental dimension (Yawar & Seuring, 2015). Hence, in order to

determine the right PSR strategy, firms need to decide which dimensions (labor and human rights, health and safety, diversity, environment, community, ethics, financial responsibility) should be emphasized in the overall PSR strategy. While the majority of research suggests that successful PSR needs to focus on all PSR dimensions, balancing the triple bottom line incl. people, planet, and profit (Schneider & Wallenburg, 2012; Walker & Jones, 2012), as explained earlier, firms often prioritize certain dimensions over others (Lau, 2011).

- **Clarification of the purpose of implementation:**

When developing the PSR strategy, research suggests that firms should be clear of their individual PSR purpose. For example, firms with a strong focus on non-financial benefits may be more likely to increase their PSR scope whereas firms focusing on costs may be rather trying to narrow down their scope of PSR activities (Mont & Leire, 2009b; Roberts, 2003).

- **Integration of stakeholders:**

One issue that is central in developing a PSR strategy is evaluating to whom and on what basis an organization wants or can be responsible. According to PSR research, organizations must consider demands from all corporate stakeholders, since they are the ones who bring ethical demands to the attention of organizations (McWilliams & Siegel, 2001; Wolf, 2011). In fact, as stakeholder theory suggests, increased integration of stakeholders leads to a better firm performance (Wolf, 2011). Hence, they should be integrated into the PSR strategy formulation. However, similar to balancing the emphasis on PSR dimensions, also in this case it is a difficult task to integrate all stakeholder concerns. Thus, as Clarkson (1995) and Maignan et al. (2002) suggest it may be wiser to consider specific identifiable stakeholders and prioritize and consider their individual demands rather than a broad variety.

- **Translation of PSR goals into clear objectives:**

Once a PSR strategy is developed, clear objectives and measurable targets for the purchasing department and their individual team members should be derived (Leire & Mont, 2009; Carter et al., 1998)

- **Determination of how to measure own PSR progress and performance:**
There is scant literature on PSR performance tracking. However, e.g. Björklund (2010) suggests developing an IT-based performance-tracking tool to measure progress against the formulated PSR goals and objectives.

- **Clarification of ethical basis for PSR:**

As Hoejmose and Adrien-Kirby (2012), Winstanley et al. (2002) and Vassallo et al. (2008) point out, what is considered as the right approach to PSR in one country, may be perceived differently in another e.g. developing country. Ethical expectations often vary in the producing and consuming markets (Vassallo et al., 2008). This is due to the fact that the perception of ethics varies in general across countries and cultures (Cooper et al., 2000; Kitchin, 2003; Walker & Phillips, 2009). In addition to this, perceptions of responsibility and commonly held morality may change from one day to the next, even with a rather homogenous national culture (Kitchin, 2003; Robertson & Crittenden, 2003 Walker & Phillips, 2009). Thus it is important to determine ethical grounds for PSR. Organizations need to decide on which ethical basis they want to create their PSR strategy and outline its details. This decision affects national business as well as operations abroad and the question which ethical basis - the domestic / national or the respective international - will be used in which country of operation, or if one ethical standard shall apply to all subsidiaries and suppliers (Hoejmose & Adrien-Kirby, 2012; Winstanley et al., 2002; Vassallo et al., 2008).

A prominent example surrounds the issue of child labor. Organizations that determine in their ethical basis that child labor, e.g. according to their organizational believe or national culture, is forbidden and unethical, simply end contracts with suppliers who employ children. In this case, organizations stick to their individual ethical standard and apply it internationally. This decision seems for some to be right, especially since many firms experienced a substantial backlash due to the use of child labor in their supply chains (Coombs & Holladay, 2015). Other firms adhere to a variety of international ethical standards or have a mixture of own fixed standards and international adaptations. In the case of child labor, these organizations consider foreign ethical understanding and do not disregard suppliers

employing children. This is due to the fact that even though child labor may be considered unethical in the country in which their headquarters are located, it is not perceived as unethical in some foreign countries. This is mainly due to the fact that in some areas in the world children are sole breadwinners and the alternative to terminate their employment would cause a much worse scenario for the children and their families. Hence, child labor is not viewed as unethical in these areas, but rather as the only chance to survive. Realizing the devastation of ending contracts with suppliers employing children, organizations apply several strategies. Levi Strauss e.g. demands that all employed children go back to school while they continue to pay their wages. Once they complete their schooling and provide a completion certificate an employment awaits them at the factory (Heslin & Ochoa, 2008).

Overall, it is necessary that the ethical basis is not only communicated in an informal way, because as firms grow larger, complexity increases and communication and control of adherence to organizational ethics, values and norms becomes more difficult. Written rules are suggested to have the best influence on ensuring that management and employees act in accordance with organizational ethics (Graafland, Van de Ven, & Stoffele, 2003). Ethical basis includes further a decision upon the organization of ethical behavior. Following Graafland et al. (2003) there are three main strategies organizations can choose from: the compliance strategy, integrity strategy and dialogue strategy.

- The compliance strategy first demands a development of specific behavioral standards, which are communicated throughout the organization. These standards demonstrate required behavior for which supervision controls, incl. processes to report unethical behavior and punishment guidelines for not following the standards, need to be set up to ensure that the desired behavior is followed. For suppliers, this strategy includes setting up and communicating codes of conduct that need to be followed. ISO certification and social handbooks are also very common tools when following this strategy (Graafland et al., 2003). Controls typically involve internal and / or external audits, and punishment for not complying with the code of

conduct usually results in sanctions or termination of contract (Graafland, 2002). As Graafland et al. (2003) point out, organizations make least use of this strategy. The integrity strategy, the mostly preferred strategy to foster ethical behavior among large organizations according to Graafland et al. (2003), follows the idea of responsibility and integrity of all members of the firm based on internalized ethical values, instead of on the compliance of strict codes of conduct. This means that after determining ethical grounds, all members of the firm are trained on how to apply specific organizational values to their professional behavior in their daily business as well as in concrete situations. This strategy is based upon trust rather than on control.

The third strategy focuses on the stakeholders of the firm and aims to understand and respond to their expectations. Organizations following this strategy communicate with their stakeholders about moral issues, their concerns and desires on a regular basis. The purpose is to achieve a trustworthy open relationship and jointly grow into a better organization and corporate citizen (Graafland et al., 2003).

To shed more light on practice, IKEA for example does not simply terminate contracts with suppliers who for the first time did not comply with IKEA's code of conduct. Instead, they engage in an open and honest dialogue with them, to understand the reasons behind their behavior. For example, suppliers showing a sincere interest in becoming a trusted supplier but having financial difficulties or knowledge gaps to transform their operations to the required conditions, are supported by IKEA e.g. through shared investments, on-site advice as well as the promise to engage in a long-term relationship. For this, certain functions, processes and departments across IKEA have been established (Andersen & Skjoett-Larsen, 2009).

Overall, Graafland et al., (2003) suggest that organizations do not have to decide between the three strategies. They rather perceive them as complementary. Coming back to the example of child labor

the authors suggest that *“in order to fight child labour effectively, one needs an appropriate mixture of the three strategies that takes all interests, values and insights into account. If one wants to combat child labour, one should adopt an effective audit system that prevents the worst forms of child labour by suppliers. However, from a broader perspective one should be aware that a strict compliance strategy can bring children into a less favourable situation. Respecting the underlying basic values therefore sometimes requires a flexible approach by, for example, offering working children alternatives from which they really benefit, including education in combination with appropriate working times and working conditions. Finally, in order to know the needs of the children and their families, information from representative organisations like local NGO’s can be helpful”* (Graafland et al., 2003, p. 47).

- **Preparation of a business case:**

Many organizations that focus on economic self-interests are afraid that PSR will not deliver any financial benefits despite its presumed high costs (Giunipero et al., 2012; Hoejmosse & Adrien-Kirby, 2012; Mont & Leire, 2009b). This is partly due to the fact that benefits of PSR are rather intangible and difficult to measure (Curkovic & Sroufe, 2007; Hoejmosse & Adrien-Kirby, 2012). Thus, building a business case for PSR creates a large challenge for organizations (Giunipero et al., 2012). Nonetheless, research suggests, that a business case can help organizations to at least get a clearer picture of PSR costs and benefits (Leire & Mont, 2009). In PSR literature, no specific details on the PSR business case are provided.

- **Decision upon the degree of responsibility:**

One of the core strategic questions in implementing PSR is to determine how far responsibility should go. Multinational corporations have contracts with a variety of suppliers. However, despite direct suppliers, MNCs also have indirect relationships with the suppliers of their suppliers. The terms used in supply chain management include tier 1 suppliers, which are the direct suppliers to a buying firm, tier 2 suppliers, which are the suppliers to tier one suppliers, without a direct supply to the original buying firm, tier 3

suppliers which are direct suppliers to tier 2 suppliers and so on. Usually, tier 4 companies are providers of basic raw materials. However, any tier n company may be a tier 1 or a tier 2 supplier to another buying firm. The tier numeration indicates the commercial distance between the original buying firm and the supplier.

The complexity of supply chains and the number of tiers varies strongly from one organization to another and is not determined by the size of the buying firm. Some firms have a few key suppliers with a few indirect suppliers, others have thousands of direct and indirect suppliers. Upstream supply chains are thus volatile and complex due to changing demands and circumstances. Moreover, most buying firms are part of supply chains that overlap with those of their competitors, often sourcing products from the same suppliers (Lambert, 2008).

For PSR, this means that a firm needs to assess the optimal degree of responsibility, depending on the firm's unique capabilities, resources, and situation. The strategic question is the determination of how many suppliers the firm can and wants to be responsible for in regards to PSR (e.g. only direct tier 1 key suppliers, all tier 1 suppliers, tier 2 suppliers, or even the entire upstream supply chain). The more suppliers are included, the higher is the degree of complexity and resources needed, while transparency and control decrease (Lambert, 2008; Wolf, 2011). Despite these challenges Wolf (2011, p. 223) e.g. suggests that in the near future *"it will be essential for firms to not only integrate immediate tier-1 suppliers into sustainability strategies, but to extend these to tier-2 to tier-n"*, because otherwise a buying firm *"might be held accountable for things that may happen out of its control"*. The author further suggests that a solution to reducing the complexity may be to ask tier 1 suppliers to ensure PSR guidelines are followed by their tier 2 suppliers, who demand the same from their suppliers and so on. Hence, direct PSR control would be only conducted for tier 1 suppliers, and beginning with tier 1 suppliers PSR responsibility and control would be transferred to successive suppliers. Information and transparency management for all suppliers would need to be set up by the buying firm and implemented by all suppliers.

- **Understanding of own buying power:**

Despite individual organizational objectives in regards to PSR, organizations need to understand their own position and power in their buyer-supplier-relationships (Hoejmose & Adrien-Kirby, 2012). The key determinant of enforcing PSR compliance is the degree of the organization's bargaining power. Buying firms, who hold a limited bargaining power against a specific supplier, may not be able to achieve PSR compliance if the supplier shows no interest in PSR. Threatening to break off a buyer-supplier-relationship in case of non-compliance in this scenario may thus be not suitable due to the fact that substitute products are often not available (Pedersen & Andersen, 2006).

As a solution to increasing bargaining power scholars suggest cooperations with other focal firms who have a high bargaining power against a particular supplier, or buying alliances. In regards to the degree of responsibility, any tier n company may be a tier 1 or a tier 2 supplier to another buying firm. Similarly, for one firm a particular supplier may hold a high bargaining power and for another firm a low bargaining power. This power imbalance stretched out at the entire supplier portfolio may lead to individual buying cooperations, so that both firms as a result increase their buying power and may thus reach PSR compliance at their suppliers. In fact, buyer alliances between two or more buying organizations can be found in various industries. In Germany, for example, Edeka - a cooperative of over 5000 small and large retailers - bundles and coordinates product supply for all members and thus increases its bargaining power (Chae & Heidhues, 2004).

- **Development of performance indicators for supplier selection and monitoring:**

Supplier selection under the umbrella of PSR requires an extension of traditional purchasing criteria. Price, quality, and delivery time need to be enhanced by social and environmental purchasing criteria / KPIs covering the focused PSR dimensions. While research acknowledges that additional criteria need to be included in the supplier selection process, there is very little information regarding the exact metrics for measuring PSR compliance (Blowfield, 2000; Wong et al., 2012; Goebel et al. (2012). However,

organizations may turn to insights provided by practice including reporting standards, norms, and certifications. Furthermore, firms can follow the criteria developed by other supply chain partners, or local laws and regulations (Wong et al., 2012). As depicted in Figure 20, Wong et al. (2012) suggest building KPIs according to 21 identified categories.

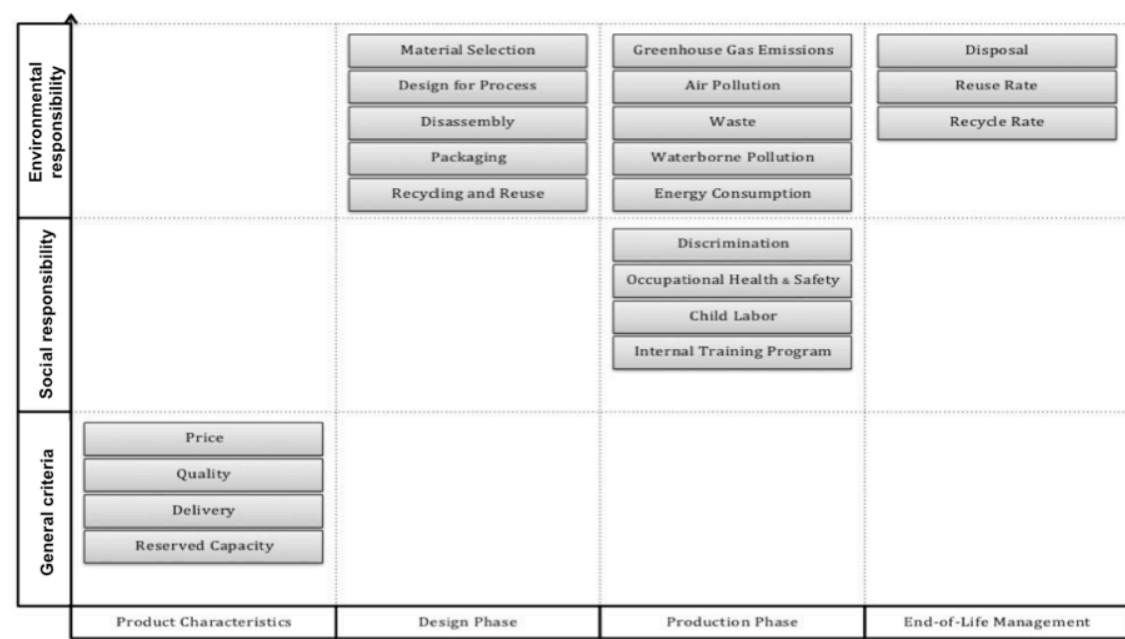


Figure 20: Identified purchasing criteria (Wong, Lee, & Sun, 2012)

In general, research suggests that these metrics need to be measurable and transparent in order to evaluate supplier suitability (Lau, 2011).

- **Decision upon the right approach to roll out the implementation of PSR:**

While firms naturally already have business contracts with suppliers prior to implementing PSR, research suggests beginning the PSR rollout process with auditing existing suppliers before selecting new ones. However, research recommends rolling out the PSR supplier audits gradually. This means that at first only the critical or a few suppliers should be involved, while the remaining would follow afterwards (Leire & Mont, 2009; Cramer, 2008). Research further suggests, that it might be useful to begin with standard requirements and gradually make them stricter (Leire & Mont, 2009; Cramer, 2008).

- **Integration of PSR goals into employee performance measures:**

The study of Carter et al. (1998, p. 31) suggests that *“the extent to which purchasing managers are evaluated on environmental purchasing is positively related to environmental purchasing.”* Even though the focus is on the environment only, it may apply to PSR as well, indicating that PSR goals should be integrated into performance measures.

- **Decision upon the right approach to information provision for existing and potential suppliers:**

Organizations can use various activities to inform suppliers about their (upcoming) PSR requirements. This includes a distribution of PSR guidelines or written supplier requirements (Lau, 2011; Ciliberti, Pontrandolfo, & Scozzi, 2008; Jamison & Murdoch, 2004), the distribution of individual codes of conduct (Hoejmose & Adrien-Kirby, 2012; Roberts, 2003; Welford & Frost, 2006; Kolk & Van Tulder, 2002; Björklund, 2010; Lau, 2011; Harms et al., 2013) or provision of PSR training, workshops, educational material, and manuals for PSR implementation (Leire & Mont, 2009b; Ciliberti et al., 2008). While research does not answer which method is the most suitable, it is suggested that codes of conduct are by far the most common tool to inform suppliers about (the upcoming) PSR implementation (Hoejmose & Adrien-Kirby, 2012; Roberts, 2003; Welford & Frost, 2006; Kolk & Van Tulder, 2002; Björklund, 2010; Lau, 2011; Harms et al., 2013). Codes of conduct communicate ethical standards and requirements for suppliers and explain what the buying company stands for and what it demands from others (Andersen & Skjoett-Larsen, 2009; Lau, 2011; Welford & Frost, 2006). In other words, codes of conduct set out the basic ethical obligations and expectations of organizations towards themselves and towards their suppliers.

There are multiple categories of codes of conduct ranging from company codes of conduct which are adopted individually by firms, industry or regional codes of conduct such as international or European codes of conduct, multi-stakeholder codes of conduct which are jointly developed by governmental and non-governmental institutions and private firms, and many more. However, overall, these codes of conduct which are either self-

developed or based upon existing standards and principles (Mamic, 2005) such as “*UN’s Global Compact, the Global Sullivan Principles, Social Accountability 8000, ISO 14001, Global Reporting Initiative, and the ILO Declaration*” (Andersen & Skjoett-Larsen, 2009, p. 78) address a variety of aspects that are summarized under the umbrella of CSR (Graafland et al., 2003). In fact, “*although firms choose their own approach to systematizing the CSR efforts in supply chains, many studies reveal that the most visible element in the approach of large multinational companies is the employment of corporate codes of conduct*” (Andersen & Skjoett-Larsen, 2009, p. 77).

In general, a code of conduct should not only describe general values of the focal organization, but also outline concrete norms and rules for business partners, explaining what must be done and what is prohibited (Lau, 2011; Amaeshi et al., 2008; Pedersen & Andersen, 2006; Björklund, 2010; Van Tulder, Van Wijk & Kolk, 2009). Preferably, it should clarify all obligations and guidelines for the entire PSR dimensions (Björklund, 2010; Mamic, 2005).

Despite the popularity of codes of conduct, this tool comprises multiple challenges. For example, often codes of conduct do not clearly and accurately outline the expectations of the focal organization (Boyd et al., 2007), or the conducts stick to minimum legal standards outlined by local law, rather than moving beyond it. Another issue relates to the fact that different companies adopt different codes of conduct and suppliers regularly have to face contradictory elements, such as different requirements for working hours, overtime, and minimum employment age (Welford & Frost, 2006; Lau, 2011; Leire & Mont, 2009b). For example, Leire and Mont (2009b) suggest that unified industry-wide codes of conduct can solve the problem of overcoming contradicting requests from a great array of focal organizations. Codes of conduct also often fail to describe penalties for non-compliance with PSR requirements (Hoejmose & Adrien-Kirby, 2012; Boyd et al., 2007), even though written supplier requirements are of little use if they lack a description how compliance is being monitored and how non-compliance will be punished (Pedersen & Andersen, 2006; Boyd et al., 2007). In fact, Boyd et al. (2007) suggest that suppliers and the focal company should jointly develop the code of conduct. “*Representation by*

both buying and supplying firms will ensure codes align with the stated strategies of all involved parties“ (Boyd et al., 2007, p. 349).

- **Decision upon the right approach to select suppliers:**

Research outlines that in general suppliers may be selected by reviewing supplier self-assessments, being regularly the first step in the supplier selection process (Lau, 2011; Ciliberti et al., 2008), by conducting factory audits to verify whether the conditions described in the self-assessment correspond to the working conditions (Lau, 2011; Lippman, 1999; Handfield, Walton, Sroufe, & Melnyk, 2002), by evaluating supplier standards and certificates (Harms et al., 2013; Seuring & Müller, 2008; Beske & Seuring, 2014), and ultimately by signing the codes of conduct of the buying company (Björklund, 2010). Especially the review of standards and certificates is perceived as a very simple and efficient process to evaluate the suitability of potential suppliers (Müller et al., 2009; Srivastava, 2007). Certification further ensures uniformity in social understanding and simplifies compliance monitoring through e.g. audits (Müller et al., 2009; Beske et al., 2008). Typical standards include ISO norms, such as ISO 9000 or ISO 14000 / 14001 for quality and environmental aspects, and SA 8000 certificates for social issues (Hoejmose & Adrien-Kirby, 2012; Boyd et al., 2007; Beske et al., 2008). However, research emphasizes that the adoption of social standards is less common than the adoption of environmental standards (Lee & Kim, 2009).

- **Decision upon the right approach to monitor supplier performance:**

Even though monitoring suppliers receives much criticism to not be the appropriate measure to achieve supplier compliance as e.g. it signals distrust towards the supplier and thus may lead to opportunistic and non-compliant actions by the supplier (Murry & Heide, 1998; Boyd et al., 2007; Baden, Harwood, & Woodward, 2009), the majority of organizations perceive monitoring as the main PSR activity (Boyd et al., 2007; Björklund, 2010; Beske et al., 2008; Yawar & Seuring, 2015; Andersen & Skjoett-Larsen, 2009; Ciliberti, De Groot, De Haan, & Pontrandolfo, 2009; Amaeshi et al., 2008; Hoejmose & Adrien-Kirby, 2012; Mamic, 2005). Furthermore, those authors not in favor of monitoring suppliers argue that it is not clear

from academic research whether high levels of monitoring in fact lead to a greater supplier compliance and suggest that awareness, training, collaboration and shared goals are the key to supplier compliance (Boyd et al., 2007; Johnsen, Johnsen, & Lamming, 2008). As such, a few scholars including Boyd et al. (2007) and Van Weele and Van Tubergen (2017) suggest that the right path to supplier compliance consists of implementing a low level of monitoring and a high level of collaboration, open communication and trust, as these are essential aspects of a successful buyer-supplier relationship. However, research emphasizes that it is much more common to evaluate supplier performance based on audits, than to focus on trust and the establishment of good buyer-supplier relationships (Johnsen et al., 2008).

In general, the central question in PSR literature to the monitoring approach is 'how much is enough'. Focal MNCs usually purchase products from hundreds of suppliers and subsuppliers. Hence, organizations need to decide which type of monitoring approach they would like to follow for which (group of) suppliers. For example, firms need to determine whether all suppliers and subsuppliers will be audited following the same procedure, and how often audits will be conducted (Smith, 2003). Currently, there is no uniform opinion in the academic literature on the right approach.

Overall, monitoring supplier PSR performance is usually conducted by comparing supplier claims (Lau, 2011) and actual supplier conditions with the underlying codes of conduct and other written statements designed by the focal company, which were signed along with the business contract (Björklund, 2010; Pedersen & Andersen, 2006). Here, organizations may choose between internal, external, and group audits including questionnaires, announced and unannounced factory inspections (Björklund, 2010; Lau, 2011), e.g. including interviews with supplier management and their workers (Ciliberti et al., 2008). Internal audits are a very popular tool to monitor supplier compliance despite being rather costly and time consuming as own employees need to be designated for this task and trained on PSR guidelines and supplier evaluation methods (Lau, 2011; Harms et al., 2013; Pedersen & Andersen, 2006; Mont & Leire, 2009b; Björklund, 2010; Cramer, 2008; Leire & Mont, 2009). In case organizations are not willing to train own

staff or do not possess the required human or financial resources, firms often turn to professional external auditors (Leire & Mont, 2009b; Björklund, 2010; Cramer, 2008), with whom however they are sometimes unsatisfied in regards to their quality of work and results. This applies especially to local auditors operating in the countries of the suppliers who face heavy competition in their auditing markets leading to drastic price declines but also to a reduced quality (Leire & Mont, 2009b; Welford & Frost, 2006). Next to individual external audits, firms may also use group audits, which are however only rarely used (Cramer, 2008). Focal organizations base their decision to engage in group audits mainly on two aspects. They either realize that suppliers are not seldom required to comply with a great variety of sometimes contradicting codes of conduct and also need to work with multiple different auditors (Lau, 2011; Cramer, 2008), and thus aim to improve the efficiency of the process because *“by combining forces it can be avoided that suppliers are visited again and again by different auditors”* (Cramer, 2008, p. 399). Or they are not willing or cannot invest in internal or external audits and thus decide to use group audits. Furthermore, group audits can increase the power of focal companies over their suppliers by jointly persuading them to implement PSR (Cramer, 2008).

- **Decision upon the right approach to handle supplier non-compliance:**
Organizations need to decide which approach they would like to follow in case of supplier non-compliance (Björklund, 2010). This may also include a categorization of suppliers with whom these firms would like to engage in long-term vs. short-term business relationships.

In general, depending also on the bargaining power of focal firms, organizations may decide between terminating business contracts with non-compliant suppliers (Graafland et al., 2003; Welford & Frost, 2006; Leire & Mont, 2009b; Maignan et al., 2002; Ciliberti et al., 2008; Graafland, 2002; Amaeshi et al., 2008), jointly analyzing improvement possibilities and providing a chance for these suppliers to realize this improvement, often involving business on-site advice (Pedersen & Andersen, 2006; Lau, 2011; Björklund, 2010; Mamic, 2005; Ciliberti, et al., 2008; Andersen & Skjoett-Larsen, 2009; Leire & Mont, 2009b; Andersen & Skjoett-Larsen, 2009) or

even sharing investments to support suppliers in reaching the required PSR status (Andersen & Skjoett-Larsen, 2009; Lau, 2011; Hoejmose & Adrien-Kirby, 2012; Pedersen & Andersen, 2006).

- **Breaking off relations:**

While research suggests that breaking off relations is the most prominent method used regarding supplier non-compliance (Graafland et al., 2003; Welford & Frost, 2006; Leire & Mont, 2009b; Maignan et al., 2002; Ciliberti et al., 2008; Graafland, 2002; Amaeshi et al., 2008), scholars emphasize that in case of a low buying power of the buying firm against a specific supplier, threatening to break off a buyer-supplier relationship may be not suitable due to the fact that substitute products are often not available (Pedersen & Andersen, 2006). *“Exit is only applicable as a safeguard, if it is a credible threat. Hence it follows that the threat of exit has little effect, if the supplier's products and services are of vital importance to the buyer (buyer-dependence)”* (Pedersen & Andersen, 2006, p. 232). Solutions to increasing bargaining power are cooperations with other suppliers who have a high bargaining power against a particular supplier or buying alliances (Lucks, 2007).

- **Improvement plans:**

Research suggests that firms categorize suppliers by their long- and short-term interest in them. If a firm has a long-term interest in a particular supplier, multiple authors suggest that buying firms do not break off relations with these suppliers in case of PSR non-compliance. They rather jointly analyze the reasons for non-compliance and cooperatively develop action plans to improve the situation in a given time frame. The development is monitored and supported with expertise from the focal company. The underlying premise is the willingness of the supplier to improve his conditions (Pedersen & Andersen, 2006; Lau, 2011; Björklund, 2010; Mamic, 2005; Ciliberti et al., 2008; Andersen & Skjoett-Larsen, 2009; Leire & Mont, 2009b).

Overall, focal firms often support suppliers through legal and business on-site advice as well as the promise to engage in a long-term relationship (Andersen & Skjoett-Larsen, 2009).

- **Shared knowledge & investment:**

In case suppliers demonstrate a willingness to improve, it is argued that buying firms should not only engage in an open dialogue with them to understand the reasons behind their behavior, but also to offer them financial support e.g. in form of shared investments or loans - in case the reason for non-compliance was based upon financial difficulties - to transform their operations to the required conditions (Andersen & Skjoett-Larsen, 2009; Lau, 2011; Hoejmosé & Adrien-Kirby, 2012; Pedersen & Andersen, 2006). Suppliers may then e.g. pay back the loan through product deliveries to the buying organization (Pedersen & Andersen, 2006). In fact, Lau (2011) suggests that generally the implementation of PSR is difficult if the costs associated with PSR compliance are not shared between buying firms and suppliers.

- **Decision upon further buyer-supplier activities:**

Besides informing, selecting, and monitoring supplier compliance, organizations may also provide additional training and knowledge to suppliers (Björklund, 2010; Ciliberti et al., 2008; Mamic, 2005; Lau, 2011; Hoejmosé & Adrien-Kirby, 2012). This includes sharing expectations, experiences, and information, e.g. in form of skill training or specific technical assistance (Lau, 2011; Lippman, 1999; Ciliberti et al., 2008). In fact, collaboration and knowledge support are suggested to have a positive impact on supplier PSR adoption (Yen & Yen, 2012) and may even lead to the development of new sustainable products, technologies and services (Yen & Yen, 2012; Beske et al., 2008).

Furthermore, focal firms may also provide PSR compliance rewards to suppliers (Björklund, 2010; Pedersen & Andersen, 2006; Amaeshi et al., 2008; Björklund, 2010), which are suggested to persuade suppliers to comply with the PSR codes of conduct (Pedersen & Andersen, 2006;

Amaeshi et al., 2008; Björklund, 2010). These rewards may include joint investments in environmentally friendly machines, exclusive rights to deliver specific products to the buying firm, or collaboration in the continuous improvement of the PSR code of conduct (Pedersen & Andersen, 2006).

- **Communication of PSR measures:**

Organizations need to decide whether they want to document and report their PSR performance or not. Firms need also to decide whom the company would like to address (internal or external audience, or both) and whether it wants to incorporate a PSR report in existing reportings (Björklund, 2010; Elg & Hultman, 2011). In fact, several studies suggest that through business ethics / sustainability reporting, firms enhance their reputation and legitimacy and thus attract potential consumers and investors and ultimately increase their competitive advantage (Bryane, 2003; Herzig & Schaltegger, 2006; Dowell, Hart, & Yeung, 2000; Graafland et al., 2003).

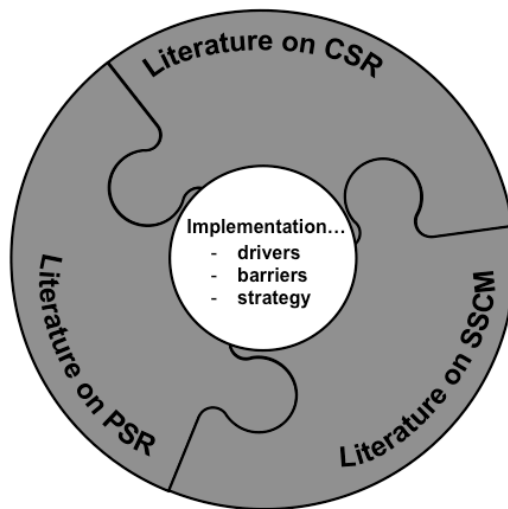
To conclude, Figure 21 provides a summary of the identified strategic PSR implementation measures and demonstrates the saturation level of research.

| | | PSR |
|--|---|-----|
| Strategic implementation measures | As-is analysis | x |
| | Benchmarking | x |
| | Integration of the PSR strategy into the overall business, CSR, or SSCM strategy, and clarification of the optimal set and scope of PSR initiatives | x |
| | Clarification of the purpose of implementation | x |
| | Integration of stakeholders | x |
| | Translation of PSR goals into clear objectives | x |
| | Determination of how to measure own PSR progress and performance | x |
| | Clarification of ethical basis for PSR | x |
| | Preparation of a business case | x |
| | Decision upon the degree of responsibility | x |
| | Understanding of own buying power | x |
| | Development of performance indicators for supplier selection and monitoring | x |
| | Decision upon the right approach to roll out the implementation of PSR | x |
| | Decision upon the right approach to information provision for existing and potential suppliers | x |
| | Decision upon the right approach to select suppliers | x |
| | Decision upon the right approach to monitor supplier performance | x |
| | Decision upon the right approach to handle supplier non-compliance | x |
| | Decision upon further buyer-supplier activities | x |
| | Integration of PSR goals into employee performance measures | x |
| | Communication of PSR measures | x |
| "xx" = extensive research; "x" = little research | | |

Figure 21: Strategic PSR implementation measures

4 Discussion of literature

4.1 Overview



Researchers in all three research areas, CSR, SSCM, and PSR, agree on the fact that stakeholders and the greater society increasingly demand the adherence of organizations to each concept. Organizations are expected to not only deliver profits to their shareholders but also to respond to their stakeholder's interests and enhance the well-being of society and environment. Even

more so, stakeholders demand that the adherence does not only apply to the organization itself but rather goes beyond their own individual organizational and juridical walls. In SSCM and PSR literature this corresponds to the supply chain or suppliers respectively.

In line with the increasing attention to these concepts of the society, as a response to societal concerns and not unlikely due to the various business ethics scandals in the last years incl. those affecting the upstream supply chain and organizational purchasing approaches, research on each of the three concepts is growing and the call for action to close existing research gaps is increasing notably.

Looking at the research landscape of CSR, SSCM, and PSR it becomes evident that the amount and depth of research corresponds to the historical roots of each concept. CSR is the oldest concept of the three, having its roots prior to World War II. However, key thinkers, definition additions, and criticism emerged mainly in the subsequent decades. Literature on SSCM emerged in the beginning of the 1990s as a subconcept of CSR and as a response to the formal definition of sustainability by the Brundtland Commission in 1987, while PSR - being a subconcept of SSCM and CSR - is the newest research area when considering that after a longer pause the great majority of articles were published in the 21st century. As such, while CSR literature demonstrates a well

saturated research field, the research area of SSCM is not yet entirely explored and PSR demonstrates multiple research gaps and offers great opportunities for future research including questions as to the scope, context, definition, and application in practice.

Turning to the definitions of each concept, despite multiple decades of academic research on CSR there is still no widely acknowledged definition for this concept. This is most likely the result of the concept's imprecise boundaries due to a large span of socially responsible activities making it difficult to capture the range of issues, policies, processes, and initiatives that can be combined under one umbrella. Moreover, the wording itself, CSR, is rather fuzzy as the terms "social" and "responsibility" are vague and depend on the underlying motivation of implementing CSR, creating various understandings and perspectives on what CSR is or should be, leading to a rather subjective understanding of CSR.

In contrast to CSR, the definition of the SSCM concept is much more developed. While there are multiple activities within a supply chain, the basic idea is to integrate sustainability into each process. The clarity of the definition may be more present at this level in comparison to CSR as the particular tasks within supply chain management have been very thoroughly researched over the last decades. Another reason for a more precise definition may be the fact that "sustainability" itself might seem clearer than the CSR wording "responsibility" or "social". Even though there are different levels of sustainability, the basic idea is well articulated.

In contrast to SSCM, PSR, being a new research area, suffers from a clear terminology and a widely acknowledged definition. Nonetheless, the existent definitions also demonstrate more clarity than CSR definitions. Researchers agree on the fact that PSR is a CSR extension of the purchasing department and a subconcept of SSCM with the aim to enhance the social, economic, and environmental well-being of the upstream supply chain and that buying firms need to ensure that the purchased products and services are sourced and manufactured in an ethical way, minimizing the negative social, environmental, and economic impacts in the upstream supply chain. In essence, it seems that the smaller the activity span of a research concept the clearer its definition.

When discussing the scope of CSR, SSCM, and PSR the majority of researchers follow the triple bottom line approach and distinguish between three core areas: the economic (profit), environmental (planet) and social (people) area, demanding that businesses must balance their CSR, SSCM, and PSR activities among all three areas, despite the fact that the environment is considered more often in the literature on SSCM and PSR. However, why the environmental dimension has taken precedence is unclear and subject to future studies. Suggestions include the difficulty to grasp social topics, or lobby groups such as Greenpeace who are strongly promoting the green dimension.

Furthermore, what becomes evident is that multiple scope dimensions from the three literature strings overlap with each other. This again reinforces the strong interrelation of CSR, SSCM, and PSR, or in other words that SSCM and PSR are subconcepts of CSR. However researchers in the field of CSR and PSR agree that despite the desire of organizations to master excellence in all respective areas and activities, the realization is not easy, if not impossible. It is thus suggested that because of this challenge, firms usually assess the optimal set of activities they want to engage in by prioritizing certain areas, dimensions, or elements and by assessing the degree and scope of implementation at each level thereafter. How organizations conduct these tasks, what they consider in determining the respective concept scope and implementation degree and what tools or sources of information are preferably used is not yet sufficiently answered by research.

Taking a look at the impact of each concept on organizations, whether in CSR, SSCM, or PSR literature, it can be observed that each concept is increasingly being linked to financial performance. More precisely, in all three research fields, one will find extensive literature supporting the fact that proactive engagement of organizations in each concept leads to an improvement of the financial performance. This is often expressed through a great array of mediating variables such as e.g. business risk aspects. For example, research suggests that adhering to business ethics whether through CSR, SSCM, or PSR leads to an increase in the competitive advantage, risk reduction through an improvement of the organizational image and reputation and thus a reduced risk for business ethics violations.

Another aspect influencing financial performance are costs, which are also used as a mediating variable in this scenario. For example, CSR scholars acknowledge that implementing this concept leads to short-term costs but contend that in the long-term being socially and environmentally proactive actually leads to a decrease in costs. This may be reached through driving down operational costs through resource reduction and more efficient production.

To highlight a few, further CSR, SSCM, and PSR impact on organizations comprises a positive influence on the stock price (CSR literature), and a positive impact on access to investors (CSR and SSCM literature). Moreover, CSR and PSR scholars agree that adherence to each concept increases customer loyalty as companies meet and exceed customer expectations in relation to sustainability. Following this suggestion, CSR research further emphasizes that higher customer loyalty increases the likelihood to choose products from CSR leaders over products from firms that are not engaged in CSR, which in turn may affect revenues. Moreover, research suggests that the implementation of CSR and PSR leads to an enhancement of organizational learning.

Next to the impact on organizations, society - e.g. in form of environmental well-being - is also influenced by organizational adherence to CSR, SSCM, and PSR in multiple areas. For example, researchers emphasize that compliance with these concepts can lead to efficient resource management, including the reduction of material, energy, and water consumption, as well as better working and living standards for own employees and those of suppliers.

4.2 PSR research methodology

Taking a look at the methodology used in PSR research, the analysis of PSR literature (focusing on papers from 2000 to 2014 with the exception of 3 papers published before 2000; see Appendice A for further details) conducted in this study shows that the number of qualitative research (45%) slightly exceeds the number of quantitative research (41%). Mixed methods account for 14% of the studies.

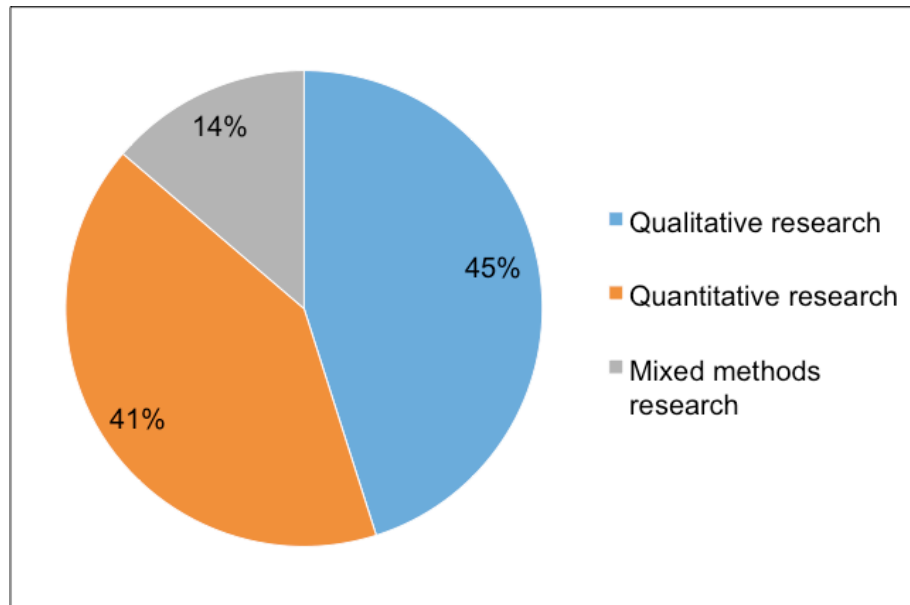


Figure 22: PSR literature: research methodology

Within qualitative research, the vast majority of researchers use document analysis and conceptual analysis as the preferred data collection methodology of choice, followed by interviews. Focus groups and observations are only rarely used.

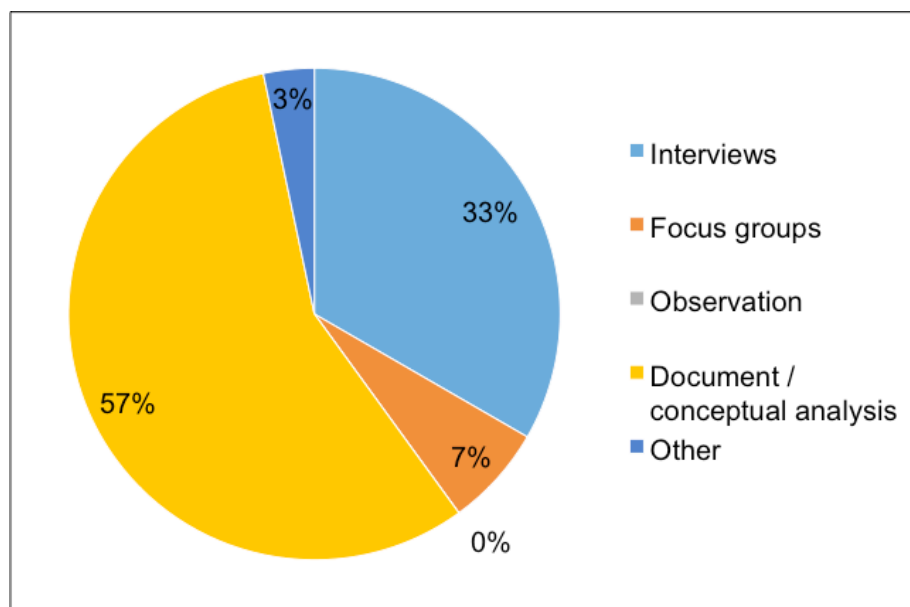


Figure 23: PSR literature: qualitative research - data collection

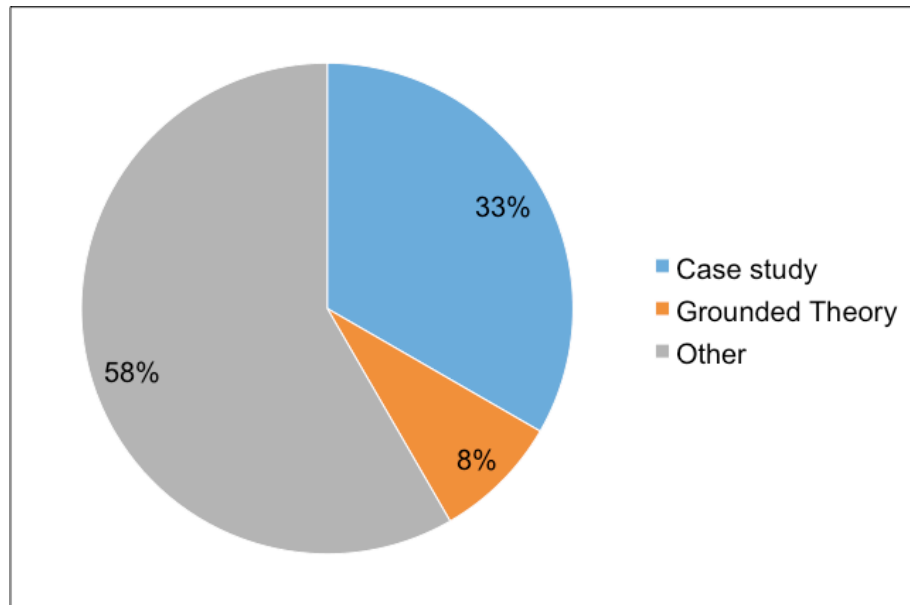


Figure 24: PSR literature: approach to qualitative research

Looking at the approach to qualitative research, one will find two (8%) articles in the area of PSR following the Grounded Theory: “Purchasing’s Role in Environmental Management: Cross-Functional Development of Grounded Theory” by Carter and Dresner (2001) and “Socially Responsible Organizational Buying: Environmental Concern as a Noneconomic Buying Criterion” by Drumwright (1994). Qualitative case studies account for 1/3 of PSR research, emphasizing the importance of practical examples. For example, Adebajo Ojadi, Laosirihongthong, and Tickle (2013), Pagell and Wu (2009), as well as Lau (2011) used case studies to provide examples of PSR implementation.

Quantitative research mostly relies on surveys (82%), followed by analysis of data from information systems.

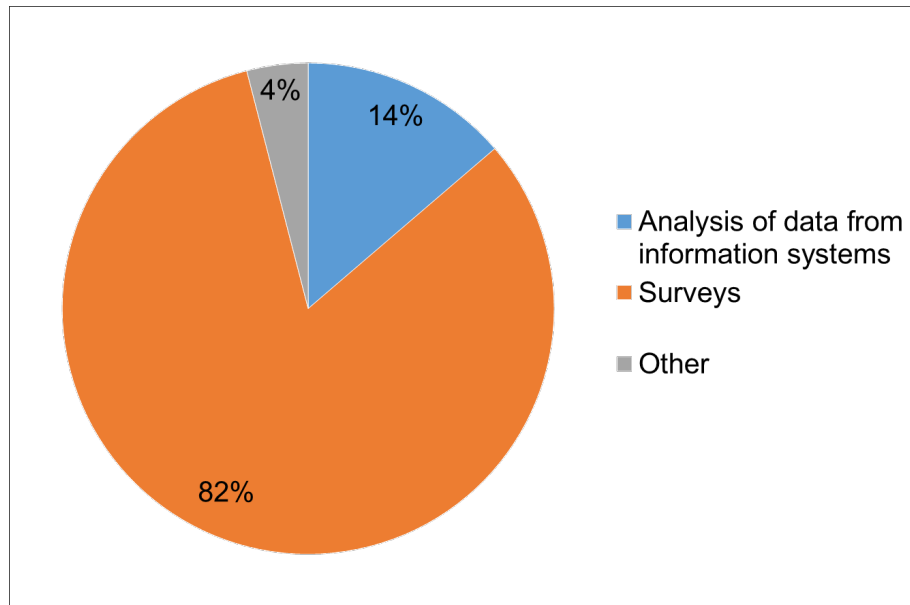


Figure 25: PSR literature: quantitative research - data collection

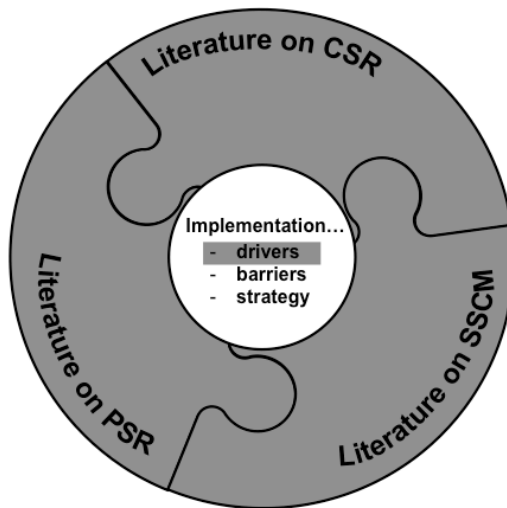
As for industries, the majority of PSR research concentrates on the consumer goods industry.

| PSR literature: industry focus | | |
|--------------------------------|---|-------|
| Industry focus | Source numbers (see appendix for further details) | Count |
| Consumer goods industry | 3, 5, 9, 10, 12, 14, 19, 23, 24, 26, 28, 33, 34, 35, 36, 37, 38, 39, 41, 49, 50 | 21 |
| Other industry | 1, 2, 7, 8, 11, 17, 20, 21, 22, 27, 31, 33, 34, 35, 37, 39, 41, 43, 48 | 19 |
| Unrevealed industry | 6, 13, 15, 18, 29, 45, 46, 47 | 8 |
| No industry use | 4, 16, 25, 30, 32, 40, 42, 44, 51 | 9 |

Figure 26: PSR literature: industry focus

(please note: out of 51 articles, 6 refer to both the consumer goods and a second “other” industry)

4.3 Implementation drivers



Research suggests that there are both internal and external drivers to the implementation of CSR, SSCM, and PSR. Internal drivers are the push factors, derived either from economic self-interest or altruistic reasons and a moral ethical grounding. External drivers on the other hand are the pull factors, comprising pressures from a variety of stakeholders such as consumers,

the community, shareholders, NGOs, as well as laws and political pressures.

In PSR research scholars suggest that firms experience more external than internal pressure to implement PSR, meaning that PSR implementation is rather a reactive response to external demands, instead of being a proactive undertaking. Taking a look at CSR and SSCM literature, neither one nor the other provide an answer to which type of drivers are predominant in the implementation of each concept.

A key difference among the three research fields can be seen within the internal drivers that apply to the implementation of each concept. While researchers acknowledge that when considering the implementation of CSR organizations follow both economic self-interests and altruistic reasons, in SSCM no altruistic reasons are mentioned. It thus seems that the general motivation for implementing SSCM is primarily driven by self-interest and potential benefits. Similar to literature on CSR and contrasting the literature on SSCM, research on PSR implementation suggests that PSR implementation is driven by altruistic reasons, however the implementation is more probable to take place when there are visible benefits such as savings or risk mitigations linked to it.

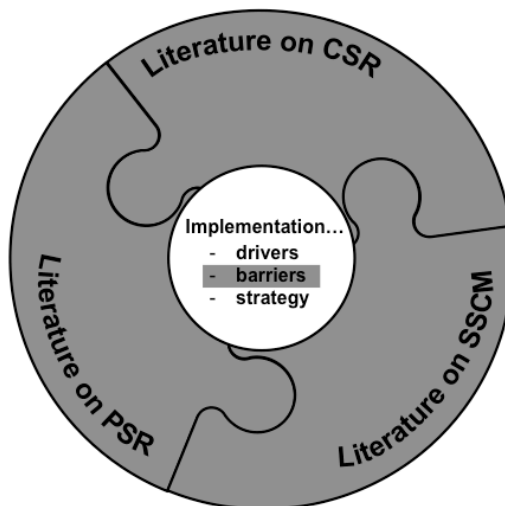
Looking at the summary of identified drivers in Figure 27, it is evident that despite a different level of saturation, drivers to CSR, SSCM, and PSR implementation are strongly overlapping, reinforcing the interconnection of these concepts.

| | | | CSR | SSCM | PSR | |
|---|-----------------------------------|--|---|------|------|----|
| Drivers | Internal | Motivation: economic self-interest / potential business benefits | Essential for long-term business survival and for improvement of financial performance | xx | xx | x |
| | | | Through risk minimization (minimization of reputational damage to avoid loss of market share) | xx | xx | xx |
| | | | Through an increased customer satisfaction by meeting / exceeding sustainability expectations | xx | xx | - |
| | | | Through a positive influence on consumer buying behavior | xx | - | - |
| | | | Through gain or increase of competitive edge / market differentiation | xx | xx | x |
| | | | Through enhancement of overall economic standing | xx | xx | x |
| | | | Through an increase of the overall reputation and image | xx | xx | xx |
| | | | Through cost savings | xx | xx | x |
| | | | Through increase of organizational learning | xx | - | x |
| | | Through enhancing the relationship with shareholders and attracting future investors | xx | xx | - | |
| | | Motivation: altruistic reasons | Desire to lead best practice | xx | - | x |
| | | | Demand and commitment of top management / personal morality of top management | xx | (xx) | xx |
| | | | Demand and commitment of middle management / personal morality of middle management | - | - | x |
| | | | Founding purpose and time | x | - | - |
| | | Required skills | Strong leadership to successfully implement the concept | (xx) | - | x |
| | | | Knowledge development and knowledge distribution through established coordination mechanisms | (xx) | (xx) | xx |
| | | | Training on the concept | (xx) | (x) | x |
| | | Pre-conditions | Established people-oriented organizational culture | - | - | x |
| | Established organizational values | | - | - | x | |
| | External | Pressures from a variety of stakeholders | Consumers | xx | xx | xx |
| | | | Community | xx | (xx) | xx |
| | | | Shareholders / investors | xx | xx | x |
| | | | NGOs | xx | xx | xx |
| | | | Suppliers | - | x | x |
| | | | Competitors | - | x | - |
| | | | Other supply chain parties | - | x | - |
| | | | Governments: current and anticipated laws and regulations | xx | xx | xx |
| "xx" = extensive research; "x" = little research; "-" = no research; "()" derived from research on implementation barriers | | | | | | |

"xx" = extensive research; "x" = little research; "-" = no research; "()" derived from research on implementation barriers

Figure 27: Summary of implementation drivers

4.4 Implementation barriers



In contrast to academic literature on CSR, SSCM, and PSR implementation drivers, research on implementation barriers does not predominantly distinguish between internal and external barriers to the implementation of each concept. Only a few authors are following this division.

Under internal barriers authors summarize obstacles that are self-inflicted by organizations. External barriers comprise a lack of external controls and stakeholder pressures, as well as supply-chain shortcomings such as a general lack of trust among supply chain parties.

| | | | CSR | SSCM | PSR | |
|--|----------|--|--|---|------|------|
| Barriers | Internal | Motivation | Lack of top management motivation to implement this concept | xx | xx | xx |
| | | | Lack of middle management motivation to implement this concept | - | - | x |
| | | | General lack of commitment to engage in the concept's activities | xx | xx | xx |
| | | | Management's insufficient understanding of the importance and benefits of this concept | xx | xx | x |
| | | | Lack of concern for firm reputation and thus a missing motivation to implement this concept | xx | - | - |
| | | General resistance to change the existing company culture and adapt this concept | xx | xx | x | |
| | | Financial considerations | Lack of financial resources / necessary funds to implement and to maintain operations | xx | xx | xx |
| | | | Lack of financial support by top management / missing willingness to invest in the concept | xx | xx | x |
| | | | Fearing that this concept will not deliver any financial benefits despite its presumed high costs | - | - | x |
| | | | Lack of knowledge on the financial effect of this concept's implementation / difficulties to build a business case due to intangible measurement | - | - | x |
| | | | Resistance to implement this concept due to assumed trade-offs between implementation benefits and operational costs and profits | xx | xx | x |
| | | Non-financial considerations | Lack of required non-financial resources (e.g. human resources) to implement and operate this concept | xx | xx | x |
| | | | Lack of experts on this concept | xx | - | - |
| | | | Misalignment of short-term and long-term strategic business goals | - | - | x |
| | | | Conflicting organizational structure, processes, and culture | - | x | - |
| | | | Local culture with lower ethical expectations | - | - | x |
| | | | Lack of performance measurement for the concept | - | xx | x |
| | | | Lack of operational alignment | - | x | - |
| | | | Lack of internal coordination / missing ability to coordinate complex undertakings | x | x | - |
| | | | Uncertainty about organizational (IT / technological) capabilities | - | x | x |
| | | | Lack of strong leadership to successfully implement this concept | xx | - | x |
| | | | Difficulties in acquiring relevant specific knowledge on implementation and operation of this concept / lack of required knowledge | xx | xx | xx |
| | | | Difficulties in determining the appropriate concept strategy | xx | - | xx |
| | | | Lack of training (for new mind-sets and skills) and information sharing on this concept | xx | x | x |
| | | | Inefficient stakeholder consideration and involvement | xx | - | - |
| | | | Supply chain specific: low bargaining power over key suppliers | - | - | x |
| | External | | External requirements | Lack of (industry) regulations and laws on this concept | xx | xx |
| | | Supply chain specific: general lack of trust among supply chain parties / assumption that suppliers will not collaborate | | - | xx | x |
| | | Poor supplier commitment | | - | xx | - |
| | | Missing / insufficient communication among supply chain members | | - | xx | - |
| | | Lack of NGO support | | xx | (xx) | (xx) |
| | | Lack of social audits | | xx | - | - |
| | | No external stakeholder pressure | From trade unions | xx | - | - |
| From consumers / customers (e.g. consumer insensitivity towards sustainability issues und primary desire for low prices) | | | xx | xx | (xx) | |
| From NGOs | | | xx | (xx) | (xx) | |
| "xx" = extensive research; "x" = little research; "-" = no research; "()" derived from research on implementation drivers | | | | | | |

"xx" = extensive research; "x" = little research; "-" = no research; "()" derived from research on implementation drivers

Figure 28: Summary of barriers to implementation

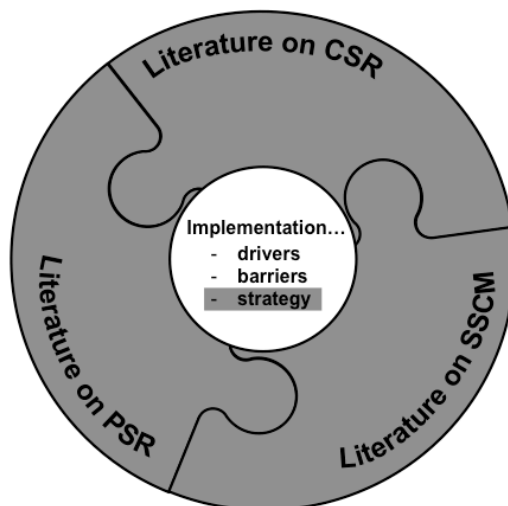
Looking at the identified barriers as demonstrated in Figure 28 it becomes clear that both internal and external barriers to CSR, SSCM, and PSR implementation are strongly overlapping, in line with the literature analysis on implementation drivers.

What needs to be highlighted is that in both SSCM and PSR literature there are two opinions to the cost issue: on the one hand it is suggested that the implementation of PSR and SSCM leads to overall cost reduction in the long-term, being a driver of implementation, and on the other hand it is suggested that the implementation bears short-term costs, creating a barrier to

implementation. Furthermore, multiple researchers perceive CSR-, PSR- and SSCM-related costs as a general barrier to implementation, as costs and benefits of each of the concepts are difficult to measure and therefore companies resist the implementation due to assumed trade-offs between costs and benefits.

In essence, while multiple scholars investigated existing barriers to each concept, with the exception of the suggestion to adapt ethical standards according to local conditions in order to overcome cultural differences when implementing PSR, currently there is no research providing explanations and insights on how companies deal with and overcome the presented barriers.

4.5 Key strategic implementation measures



The following paragraphs provide a summary and analysis of literature on the implementation of CSR, SSCM, and PSR with the objective to derive implications for the specific focus of this study by creating a first idea of a Strategic PSR Implementation Framework.

As multiple researchers suggest, despite the extant academic literature and increasing importance of CSR and SSCM, research on how organizations implement these concepts still remains an under-researched area. Information is scarce, providing fragmented knowledge rather than one clear implementation guide, despite the strong call for action to close these research gaps. This circumstance also applies to literature on PSR implementation, acknowledging, however, that PSR is a newer research area with less width and depth of research in general in comparison to CSR and SSCM research.

What the three research fields have in common is that the majority of research on implementation aspects takes up the notion of the focal firm (in the supply

chain) being the initiator of each concept. Furthermore, research on all three concepts focuses on specific elements of the overall implementation process / steps, lacking a holistic strategic approach for implementation which integrates seamlessly into a firm's operations, strategy, and values.

Taking a look at Figure 29, one will find that multiple strategic CSR, SSCM, and PSR implementation measures are overlapping and that there is only little research on each of these measures.

| | | CSR | SSCM | PSR |
|---|--|-----|------|-----|
| Strategic implementation measures | Clarification of the purpose of implementation | X | - | X |
| | As-is analysis | X | - | X |
| | Benchmarking | X | - | X |
| | Clarification of ethical basis | - | - | X |
| | Integration of the concept's strategy into the next greater concept and the overall business strategy | X | X | X |
| | Integration of stakeholders | XX | - | X |
| | Clarification of the optimal set and scope of initiatives and translation of the concept's goals into clear objectives | X | X | X |
| | Decision upon the degree of responsibility | - | - | X |
| | Understanding of own buying power | - | - | X |
| | Preparation of a business case | X | - | X |
| | Alignment of the concept's strategy with existing business initiatives and structures | X | - | - |
| | Integration of the concept's goals into employee performance measures | X | - | X |
| | Adaption of the organizational structure / setup of an implementation project team | X | X | - |
| | Communication of measures | XX | X | X |
| | Development of performance indicators for monitoring supply chain partners / supplier selection and monitoring | | X | X |
| | Encouragement of the application of standards in the (upstream) supply chain | - | X | - |
| | Development of a common infrastructure and understanding | - | X | - |
| | Decision upon the right approach to roll out the implementation of the concept | - | - | X |
| | Decision upon the right approach to information provision for existing and potential suppliers | - | - | X |
| | Decision upon the right approach to select suppliers | - | - | X |
| | Decision upon the right approach to monitor supplier performance | - | X | X |
| | Decision upon the right approach to handle supplier non-compliance | - | - | X |
| | Decision upon further buyer-supplier activities | - | - | X |
| | Determination of how to measure own progress and performance | - | - | X |
| "xx" = extensive research; "x" = little research; "-" = no research | | | | |

Figure 29: Summary of strategic implementation measures

By further comparing these key strategic implementation measures, there are many that are specifically applicable to purchasing only such as the clarification of ethical basis, decision upon the degree of responsibility, understanding of own buying power or the range of decisions to be made regarding the approach to roll out PSR, inform, select, develop performance indicators and to monitor suppliers, as well as to handle supplier non-compliance and to decide upon further buyer-supplier activities. As a consequence, with the exception of two

measures that are also mentioned in SSCM literature - developing performance indicators to monitor suppliers and the decision upon whether or how to best monitor these - neither of these PSR-related measures is mentioned in CSR or SSCM literature.

At the same time, SSCM research analyzed two other strategic implementation measures that may apply to the issue of PSR implementation as well, which have however not yet been investigated in PSR research. These include the encouragement of the application of standards in the upstream supply chain and the development of a common infrastructure and understanding. SSCM scholars claim that focal firms willing to implement SSCM should advice or request their supply chain partners to obtain SSCM-related standards or certificates, such as the ISO 14000/1 or SA 8000. Moreover, standards are suggested to add business ethics legitimacy to an organization and to further simplify audits to verify SSCM progress. While this is not explicitly described as an implementation measure in PSR literature, PSR scholars contend that suppliers are often evaluated by their obtained certificates or standards. As such, encouraging suppliers to obtain such accreditation seems as a reasonable strategic PSR implementation measure. SSCM scholars further suggest that organizations should develop a common (IT) infrastructure and understanding among supply chain parties to simplify communication of common objectives and exchange of knowledge and expertise, as well as to increase overall trust and enable efficient collaboration. As this measure applies to the entire supply chain, it also covers suppliers and may thus apply to PSR research.

The remaining key strategic implementation measures were covered in at least two of the three research fields with the exception of the alignment of the concept's strategy with existing business initiatives and structures (CSR literature) and of the determination of how to measure own progress and performance (PSR literature). What these measures (including these two exceptions) have in common is that they are rather general and not confined to the supply chain or purchasing function. For example, the implementation measure "clarification of the purpose of implementation" is rather neutral and could also apply to SSCM implementation, while not explicitly mentioned in the literature. The same applies to "adaption of the organizational structure / setup

of an implementation project team”. Someone needs to be responsible for the implementation and later management of CSR, SSCM, or PSR. As such, while only specified in CSR and SSCM literature, this implementation measure appears to be valid to PSR as well.

Taking a look at continuous improvement measures, only two were identified in the literature on CSR. However, similar to the case with multiple strategic implementation measures, also these two activities appear to be rather general and may thus also apply to the case of PSR and SSCM implementation. For example, the integration of stakeholders is confirmed to be a relevant strategic implementation step in CSR and PSR research. As such, an ongoing stakeholder dialogue seems to be a reasonable extension of this strategic step and may thus be recognized as a continuous PSR improvement activity.

| | | CSR | SSCM | PSR |
|---|-------------------------|-----|------|-----|
| Continuous improvement activities | Stakeholder dialog | x | - | - |
| | Regular external audits | x | - | - |
| "xx" = extensive research; "x" = little research; "-" = no research | | | | |

Figure 30: Summary of continuous improvement activities

In essence, following the discussion, the identified key strategic implementation measures and continuous improvement activities can be translated into the following preliminary Strategic PSR Implementation Framework (Figure 33). Figure 31 and 32 provide a clearer visualization of the model. However, this first idea of the framework requires further knowledge, which aims to be generated from the qualitative study. More precisely, the qualitative study aims to verify whether the identified elements are complete and valid to practice in order to adjust the framework where necessary.

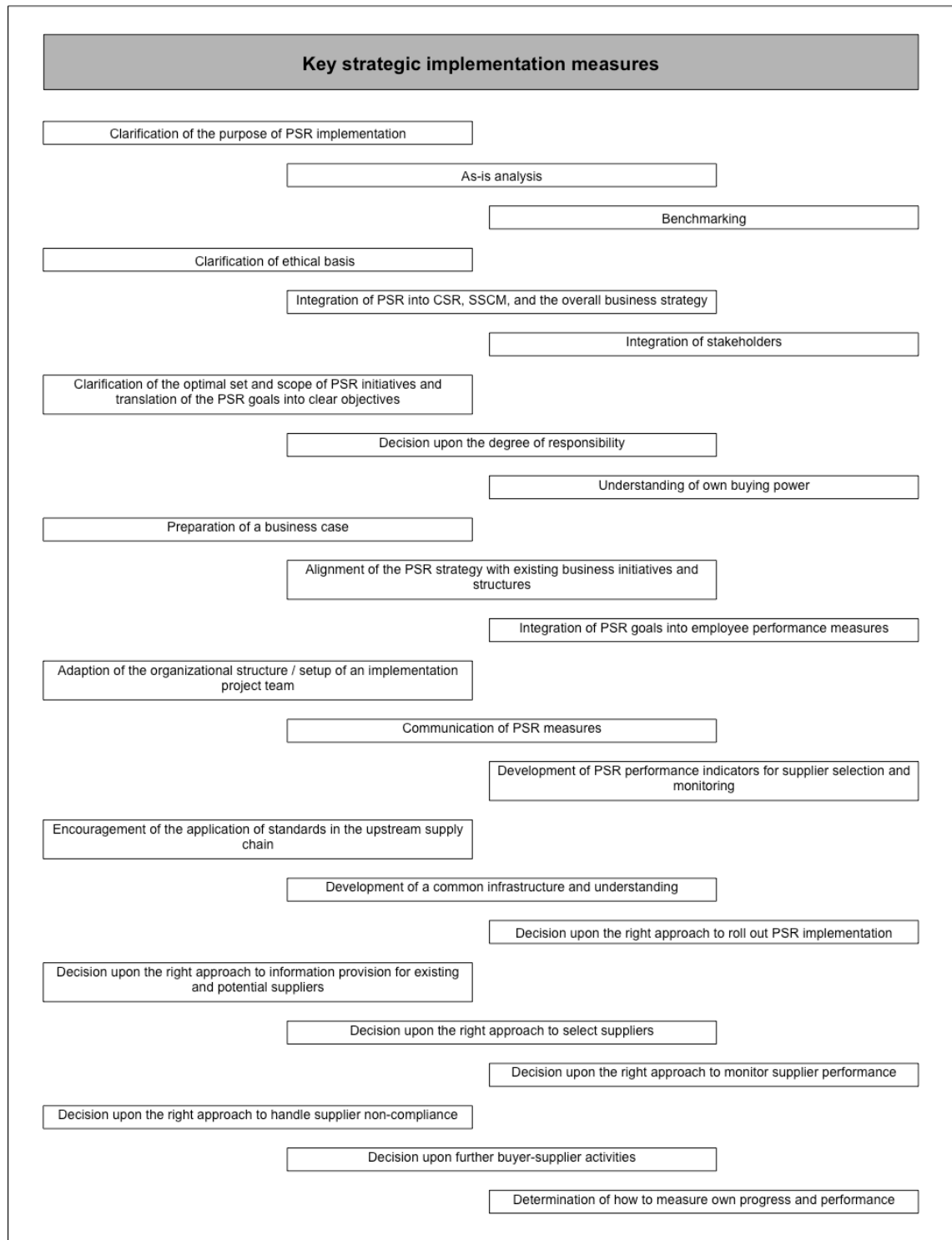


Figure 31: (Preliminary) framework (measures)

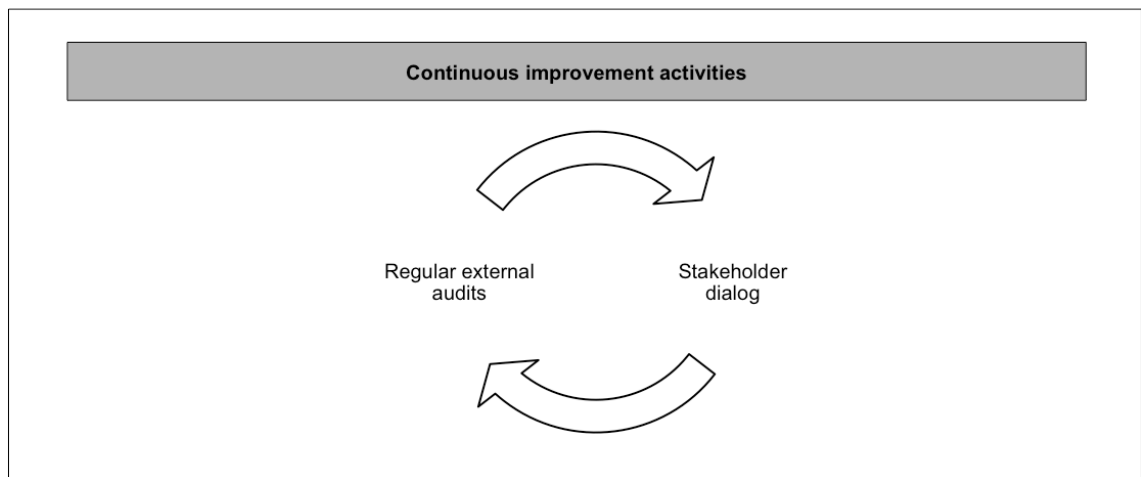


Figure 32: (Preliminary) framework (continuous improvement activities)

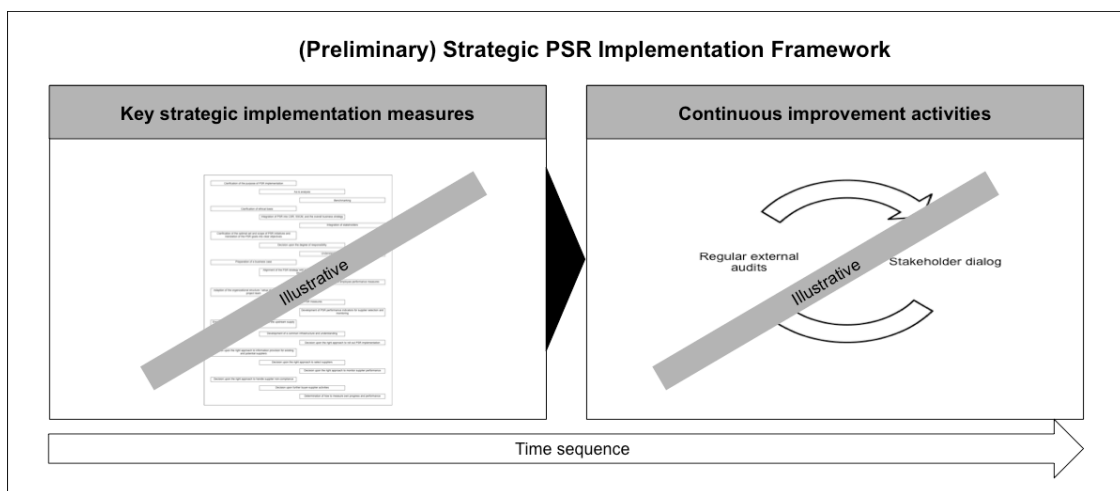


Figure 33: (Preliminary) Strategic PSR Implementation Framework

4.6 Summary of identified research gaps

As discussed earlier, when comparing the barriers and drivers of PSR implementation with those identified in CSR and SSCM literature one will find that despite a different level of research saturation, many elements are overlapping, highlighting the interrelationship of the three concepts. At the same time, a great array of barriers and drivers of implementation are only reflected in one or two strings of literature. When looking at PSR research, it is thus assumed, that research on the barriers and drivers of PSR implementation is not yet complete. This is also supported by the comparably scarce amount of literature and by multiple scholars recommending future research in this area, such as Lau (2011), Mont and Leire (2009b), Hoejmosse and Adrien-Kirby (2012), Meehan and Bryde (2011), Maignan et al. (2002) or Giunipero et al. (2012). As such, in order to receive a complete picture of all barriers and drivers of PSR implementation this thesis seeks to close this research gap and identify through the qualitative study, which elements from CSR and SSCM may also apply to the case of PSR while at the same time detecting additional elements that research has not yet previously identified.

Another gap this thesis aims to close refers specifically to the case of barriers to PSR implementation, namely the fact, that with the exception of one mitigating measure currently there is no research providing explanations and insights on how companies deal with and overcome the presented barriers. Thus, through the qualitative study, this study seeks to identify additional mitigating activities to other barriers to PSR implementation.

The key gap this thesis seeks to close is answering how companies that are leading in sustainability have implemented PSR and by ultimately developing a Strategic PSR Implementation Framework. As multiple researchers suggest (Leire & Mont, 2009; Boyd, Spekman, Kamauff, & Werhane, 2007; Andersen & Skjoett-Larsen, 2009; Lau, 2011; Maignan et al., 2002), despite the extant academic literature and increasing importance of PSR, research on how organizations implement this concept still remains an under-researched area. Information is scarce, providing fragmented knowledge rather than one clear implementation guide, despite the strong call for action to close this research gap. Again in this case, one will find that multiple CSR, SSCM, and PSR implementation measures are overlapping. However, there is only little research

on each of these measures. As such, similarly to the case of barriers and drivers of PSR implementation, in order to receive a complete picture of the key strategic implementation measures this thesis seeks to identify through the qualitative study which elements from CSR and SSCM literature may also apply to the case of PSR while at the same time detecting additional elements that research has not yet identified previously.

The last gap in PSR research refers to the question how companies remain leading in PSR. When looking at the previous chapters, one will find that only two continuous improvement measures were identified – however both in the research field of CSR. As such, this study seeks to identify whether the suggested continuous improvement measures may be transferred to the case of PSR and what additional measures may apply.

5 Methodology

This chapter first outlines the research philosophy and guiding theories of this study. Furthermore, it explains the methodology behind the literature review, as well as the overall research design. In this chapter, the qualitative study is described in detail, including the application of the Grounded Theory and Engaged Scholarship, the interview process and techniques used, as well as ethical considerations.

5.1 Research philosophy and guiding theories

Research philosophy is defined as the use of reasons and arguments to develop knowledge about reality and thus to describe what we accept as knowledge (epistemology) and how we understand the nature of reality and knowledge (ontology) (Saunders, Lewis, & Thornhill, 2007). Regarding ontology and epistemology, this study follows the relativist approach in terms of ontology with a subjective epistemological view. The underlying assumption of this study is that reality is a subjective experience and what one perceives as reality is based on personal experience. Hence, reality is being internally constructed, mediated by senses of the individual, leading to not one, but multiple realities and multiple truths - the basis of relativist ontology. Regarding epistemology, the study is based upon the belief that knowledge is relative to the conditions given, such as historical, cultural, or temporal. Hence, there are multiple forms of reality and meanings, and reality is defined by interpretations of individuals. Different individuals may construct meaning in various ways, but *“truth is a consensus formed by co-constructors”* (Pring, 2000, p. 251).

Overall, prior to the assessment of the author’s ontological and epistemological view forming the interpretivist / social constructionist philosophy, she has undertaken an extensive literature search on the key research philosophies and methodologies. Here she first compared the traditional philosophies, namely positivism and interpretivism / social constructionism, as well as the more modern paradigms comprising post-positivism, realism, and pragmatism. In essence, it was very quickly clear that neither the positivist nor the post-positivism paradigm fit to the authors’ viewpoint due to their strong quantitative focus on testing theories and hypotheses as well as the view of reality as

objective and fixed. Looking at realism, it shares with positivism the standpoint that the world is independent of people's thoughts and beliefs, while acknowledging that social science is determined by a specific time, culture, or situation (Saunders, Lewis, & Thornhill, 2003). So while in general realism can be seen as a bridge between the positivism and interpretivist paradigm it also does not fit to the author's belief due to its rejection of subjective knowledge. Looking at pragmatists, they believe that different situations can be researched in different ways and that both observable phenomena and subjective meanings may be used to develop knowledge. Pragmatists link the choice of philosophy and methodology directly to the purpose of answering the research question. As such, pragmatists believe in the 'what works best to answer the research question' tactic instead of in a specific philosophical underpinning (Creswell & Plano Clark, 2018). While the author agrees on using different qualitative methodologies to investigate a certain phenomenon, she does not agree on the pragmatists' view that in research one can switch between quantitative and qualitative methods and between objective and subjective knowledge. Furthermore, the author does not feel that one's philosophy and methodological approach should be based on the research question but rather on one's understanding of knowledge and reality. Instead her worldview is based on interpretivism / social constructionism.

She believes that truth cannot be determined in any absolute way and the world is subjective and socially constructed by humans' interpretations of the world and the meanings they attribute to it. The reason for her position as an interpretivist may be determined by her choice of her non-academic professional life - or vice versa, namely that her philosophical viewpoint shaped her choice of profession - where she works as a management consultant specialized in mergers & acquisitions. While acknowledging and reviewing the hard facts, usually in form of quantitative data of organizations, her role is focused towards the qualitative evaluation of organizations. In particular this involves the questions towards the 'how?' and 'why?', and especially the 'so what?'. The primary method in answering these questions and arriving at an assessment of the target organization are interpretations of a great array of qualitative interviews in which the firm's quantitative and qualitative data is discussed with the management of both the sell-side and buy-side firms, as well

as with the employees and customers of the prospective target organization and a great array of market experts. Her piece of the puzzle in determining the ultimate value of an organization is thus based upon the interpretations of different individuals, co-constructing the 'truth' or in that case 'the qualitative value of the firm' which is relative to the conditions given.

Following the study's philosophical stance, this dissertation is of qualitative nature including interviews and focus groups with the aim to understand and interpret, instead of to describe and explain a certain phenomenon. Details of the research design are provided in chapter 5.3. However, the philosophical stance is not the only reason leading to the choice of a qualitative approach. During the analysis of the literature and identification of the research gap it became quickly evident that a quantitative research would not reach the desired results. The field of research is rather new and literature does not provide sufficient insight on a strategic PSR implementation. Hence, an explorative approach is required to uncover and identify strategic elements and patterns that are not yet discovered, as well as to clear misunderstandings and to provide further background information. Moreover, the choice corresponds to the approach used in the existing PSR literature. Chapter 4.2 demonstrates that the majority of PSR literature follows a qualitative research approach. Drawbacks of this qualitative approach include the extensive amount of time and resources to prepare, conduct, transcribe and analyze the results of the study, as well as the fact that the researcher's subjectivity may influence the analysis of the findings. Mitigating activities and strategies to reduce researcher bias are explained later in this chapter.

Overall, by eliminating approaches that do not fit to the researcher's philosophy, the author considered six of the common qualitative research designs including action research, ethnography, Grounded Theory, phenomenology, case study and historical research. Looking at action research it was considered as not suitable due to its cyclicity and iterative problem solving approach, requiring a comparably long-term involvement of participants in the study. Due to the fact that the study aimed to be based on the experiences of multiple MNCs it was assumed that it would be too difficult to find that many participants willing to participate in this study during a rather long period of time compared to one-time interviews. Furthermore, this study does not aim to observe the evolution

of a particular problem, but rather to investigate an already completed PSR implementation to learn from forerunners. The case study approach was also renounced, as due to the infancy of PSR implementation in organizations it was decided that the results from a small number of cases would not be sufficient in adequately exploring the research subject. Ethnography on the other hand was not considered appropriate for the purpose of this study, as finding a population that fits an ethnographic study would be challenging as MNCs in the German consumer goods industry differ from one another e.g. due to their historical context, company culture, and business model. Hence, loosening the criteria was expected to allow greater feasibility. Furthermore, this study is not about a particular culture, but about a business process with no specific cultural bounds. Looking at phenomenology, this design fits ill with the purpose of this study to create new knowledge and investigate a business process instead of describing how individuals experience the meaning of a particular phenomenon. Since the author is interested in current practices of organizations, historic research is also perceived as not suitable. Looking at Grounded Theory as by Strauss and Corbin (1998) this approach does not only fit to the researcher's philosophical stance, it can also be used in order to counter the common criticism of qualitative research being vague by using a systematic analysis and knowledge gathering process. Basically, the Grounded Theory can be defined as a qualitative method to collect, analyze data and generate knowledge through a process of coding, constant comparing and categorizing of data (Hughes & Jones, 2003). Moreover, *"given its emphasis on new discoveries, the method is usually used to generate theory in areas where little is already known, or to provide a fresh slant on existing knowledge about a particular social phenomenon"* (Goulding, 1999, p. 7), meaning researchers *"begin with general research questions rather than tightly framed pre-conceived hypotheses"* (De Burca & McLoughlin, 1996, p. 11). This makes the approach very suitable to this study due to the fact that literature on PSR implementation is scarce and the objective of this study is thus to combine academic knowledge on PSR implementation with on the one hand the corresponding research in the SSCM and CSR area and on the other hand with insights from practitioner interviews with subject matter experts to develop a more thorough understanding of PSR and its context and to analyze how multinational companies (headquartered in Germany within the consumer goods industry) that are recognized as leading in

sustainability have strategically implemented Purchasing Social Responsibility in their organizations. This newly generated knowledge may then be used as a precursor for future research to verify or extend the propositions resulting from this research. Furthermore, the choice of methodology is also justified by the fact that there are only two articles on the topic of PSR using the Grounded Theory approach: "Purchasing's Role in Environmental Management: Cross-Functional Development of Grounded Theory" by Carter and Dresner (2001) and "Socially Responsible Organizational Buying: Environmental Concern as a Noneconomic Buying Criterion" by Drumwright (1994). Hence, this choice advances the methodological spectrum of the current PSR literature. In essence, following this discussion, the selection of the Grounded Theory is the most appropriate methodology for this study, allowing the researcher to generate new knowledge.

According to Goulding (1999), within the landscape of interpretivist methodologies for building and arranging knowledge each one has its own set of guiding philosophies and procedures of interpretation. Grounded Theory is one of these methodologies and sometimes interpreted as quasi-positivistic. The reason behind its positivistic feel is its seemingly mechanistic approach using strict procedures of coding, comparing and categorizing data and building knowledge. Nonetheless, the procedure of constant comparison is interpretive by its very meaning (Hughes & Jones, 2003), since, in Grounded Theory, *"theory is enacted, through interpretations made from a multiple actors' perspectives"* (De Burca & McLoughlin, 1996, p. 21). Another common misconception of Grounded Theory with regards to its positivist feel is *"that the researcher is expected to enter the field ignorant of any theory or associated literature relating to the phenomenon and wait for the theory to emerge purely from the data"* (Goulding, 2005, p. 296). Of course this approach *"involves a delicate balancing act between drawing on prior knowledge while keeping a fresh and open mind to new concepts as they emerge from the data"* (Goulding, 2005, p. 296), putting the researcher rather in *"the role of research instrument; through which data are collected"* (Sorrell & Redmond, 1995, p. 118). However, Goulding (1999) argues that no researcher can completely block his perspective and experiences for research purposes. She goes on by stating that the background or previous discipline influences the perception of the researcher.

For example, a business researcher may try to analyze and understand a phenomenon using marketing or economic models.

In order to mitigate the subjectivity / bias of the researcher several strategies were employed. The interpretivist paradigm perceives truth as a consensus formed by multiple co-constructors. Hence, in order to obtain multiple individual truths from which aspects of consensus are to be identified and to reduce the subjectivity of the researcher the validity adding approach of triangulation was included in the data gathering process. For this, the qualitative study in form of interviews and focus groups with subject matter experts on PSR was divided into three studies: a pre-study, main study and end study, using both a methodological and a data triangulation which is further detailed in chapter 5.4.5.

Next to the twofold triangulation, all three studies used semi-structured interviews in order to avoid influencing the interview partners and to further reduce the subjectivity and bias of the researcher. Moreover, the interpretivist belief assumes that all humans have the ability to adapt and remain open to knowledge (Hudson & Ozanne, 1988). And even though data analyses - following the interpretivism paradigm - are to a certain extent the researcher's interpretations of the data, the data itself stemmed from the answers of this study's participants, which were triangulated and compared. Indeed, each of the studies served as an independent step providing new insight on previous results and thus reduced the subjectivity of the researcher. This, together with the use of the Grounded Theory approach and its very strict coding procedure leads to a strongly reduced subjectivity.

The reason behind the choice of interviewing practitioners is based on the fact that during the research design it became quickly clear that a laboratory setting will neither provide sufficient nor a satisfying quality of results. Hence, the theory of Engaged Scholarship by Van de Ven (2007) has been incorporated to gather knowledge from practice, namely from the target audience for this study. The target audience comprises CSR, SSCM, and PSR practitioners as well as those interested in the implementation of PSR, and consulting firms specialized in this topic. This forward-looking approach defined by Van de Ven (2007) was selected for this dissertation to also conform with the existing PSR literature

landscape, which frequently uses the target audience of the research results, the practitioners, for their data collection, e.g. in form of case studies with CSR-leading organizations, as well as interviews or surveys with experts from these firms (see chapter 4.2).

Engaged Scholarship follows the idea of including the target audience of the research results in the data collection process and thus to overcome the growing concern of research and practice moving apart. As Van de Ven (2007) emphasizes, there is a growing criticism that research tends to produce knowledge, which is quite abstract and thus not fully suitable for practitioners. Unfortunately, researchers rarely use Engaged Scholarship and describe the purpose of research as advancing scientific knowledge from which practice can only eventually learn from (Van de Ven, 2007). Nonetheless, there are many other voices (Mansfield, 1991; Salter & Martin, 2001; Barge & Shockley-Zalabak, 2008) demanding that research needs to provide practical implications, which is also the aim of this dissertation and the reason for including knowledge and experience of practitioners into the data collection approach.

Engaged Scholarship expects a close collaboration of the researcher and the practitioners to jointly reach the research results. Hence, each of the three studies consulted different experts to prepare data collection, obtain data, and verify the findings. This close collaboration ensured the validity of the results, as well as reinforced the importance and value of this study. In addition to this, unlike in classic approaches where the researcher is mostly alone in his endeavor, this method of exchange helped to gain a much deeper understanding of the topic and filled in the gaps where scientific literature was missing. Furthermore, the ultimate objective of enhancing a learning community between research and practice was reached.

In order to fully incorporate Engaged Scholarship in data collection and findings verification, a few additional key aspects were included into the research process. For instance, prior to the choice of direction of the dissertation the author engaged in a discussion with practitioners to verify the relevance of this topic and to understand the situation and the needs of the target audience. Once it became obvious that there is a lack of knowledge in practice and

research (through a scan and analysis of literature) on how to strategically implement PSR, a problem formulation was possible. Further applications of Engaged Scholarship in this study are explained in detail in chapter 5.4.2.

5.2 Methodology behind the literature review

The search for literature was conducted through database screening including NORA - Northumbria University Library, EBSCO Business Source Complete, Emerald, Elsevier / Science Direct, Springer Link and GoogleScholar.

The first step included a search for summaries of existing literature on PSR and its related keywords, which were obtained from these summaries. The aim was to receive an overview of the research topic in order to understand the big picture, and to put this dissertation into context. Furthermore, it helped to commence the collection of relevant search terms to ensure full coverage of the field. For example, some authors refer to PSR as “socially responsible buying” (Drumwright, 1994; Maignan et al., 2002; Park & Stoel, 2005) or “ethical sourcing” (Björklund, 2010; Chen & Bouvain, 2009; Cramer, 2008). The search was mainly executed as a structured keyword search.

An analysis of these literature summaries has shown that literature on PSR is rather new, scant and often incomplete, even though this topic is gaining increased importance. This reinforced the objective to study this field but also made clear that other related literature is necessary to reach the study’s objectives.

The literature summaries of PSR explain that PSR is in fact derived from the overall concept of Corporate Social Responsibility, mirroring its dimensions (Carter & Jennings, 2004). Next to its relation to CSR, PSR, being the upstream part of the supply chain, is also reflected in the literature on Sustainable Supply Chain Management (Dani, 2015; Idowu & Louche, 2011). As a consequence, the literature review has been extended to literature on CSR and SSCM and divided into three major blocks: literature on CSR, literature on SSCM, and literature on PSR. However, the focus of the literature review on CSR and SSCM was on selected academic literature that is relevant to fully cover the focus of this study: strategic PSR implementation.

Prior to continuing with the first step - the search for summaries of existing literature on CSR, SSCM, PSR and their related keywords - further scope limitations were made. The focus was set primarily on literature between the years 2000-2016.

Other boundaries to delimitate the research comprise the following issues:

- The research scope focuses primarily on papers written in English and published in peer-reviewed academic journals.
- The emphasis was put on papers with the main concern of private procurement of firms due to the fact that public purchasing strongly differs from the purchasing activities of private firms (Thai, 2001; Erridge, 2006).
- Articles focusing on service procurement were excluded as services purchasing is distinct from that of products (Fitzsimmons et al., 1998; Axelsson & Wynstra, 2000).
- Emphasis was put on articles with the focus on MNCs and focal companies rather than on SMEs due to the fact that CSR / SSCM / PSR involvement is more widespread among large organizations (Andersen & Skjoett-Larsen, 2009).
- The focus was primarily on journals ranked 4*, 4 and 3, as stated in the Academic Journal Guide 2015, published by the Chartered Association of Business Schools (2015). However, exceptions were made to not disregard relevant specific information published in other journals.

The first step provided several relevant literature summaries of PSR, CSR and SSCM. They offered a comprehensive and systematic analysis of the research landscape, demonstrated the main literature and major authors, as well as research gaps, major themes, methodological challenges and implications for future research. Scanning literature summaries and thus steadily completing the list of related search terms, an extensive amount of literature was identified to ensure a considerable coverage of the research field through this structured search.

The second step encompassed the identification of experts and main thinkers in the research field using on the one hand the previously identified literature and on the other hand an extended keyword search as suggested by the literature

reviews. For this, leading journals in the areas of management, supply chain management, business ethics, and corporate social responsibility were scanned for the determined keywords.

In the third step, main theories and key knowledge areas were established and clustered by the author. Furthermore, research and knowledge gaps were identified which in sum shaped the understanding of the PSR literature landscape and its relation to CSR and SSCM.

The fourth step included a systematic large-scale keyword search in the 4*, 4, 3 and later 2 and 1 ranked journals to capture the majority of relevant articles. Additional searches were also conducted using the preferred databases to capture relevant articles that were not already covered by the major search terms.

In the last step, bibliographies of all discovered articles in the previous steps were scanned for additional articles and other publications, e.g. books that may have been still missed up to this time. All publications discovered in steps 1-5 were clustered by identified and continuously extended knowledge areas (as in step three) using the Citavi software - a database helping to organize articles and their content. This systematic approach allowed a very efficient process of literature analysis and knowledge mapping.

In total, next to a great array of articles from the CSR and SSCM area, 51 articles on PSR were identified in steps one to five. This enabled the author to conduct a meta-analysis of PSR literature (see Appendice A), including an examination of the terms, keywords, (sub)topics and methodology used, to gain a clear understanding of the research area, its thematic clusters and gaps.

5.3 Research design

The analysis and discussion of the literature review led to the identification of the research gap and the resulting research question as well as to the objective to develop a Strategic PSR Implementation Framework based on academic literature and on insights from PSR-leading German MNCs within the consumer goods industry.

Moreover, the literature analysis showed that literature on PSR is rather new and scarce with multiple shortcomings and information often to be found in fragments only. This made clear that other sources of information needed to be tapped. Hence, in order to validate and supplement academic knowledge, and to conceptualize the Strategic PSR Implementation Framework and answer the research questions, a qualitative study based on knowledge gained from practice, in form of interviews and focus groups, was set up. These interviews and focus groups were divided into three studies, a pre-study, main study, and end study as explained in detail later in this chapter.

Once the division into the three studies was clear, the appropriate sampling method had to be assessed. According to Grounded Theory, the preferred sampling method for qualitative studies is theoretical sampling, where sampling is not pre-determined at the beginning, but rather developing with emerging knowledge. The *“researcher will go to the most obvious places and the most likely informants in search of information. However, as concepts are identified and the theory starts to develop, further individuals, situations and places may need to be incorporated in order to strengthen the findings”* (Glaser, 1978, p. 36).

Following this idea, the first group of participants were experts in the field of CSR, PSR, or SSCM working in PSR/CSR/sustainability-leading MNCs within the consumer goods industry in Germany. In order to determine which MNCs hold leading positions in these fields several indices, rankings and awards associations were used. These comprise the Dow Jones Sustainability Index, the Financial Times Stock Exchange for Good Index - FTSE4Good Index, The Global 100, Oekom Research Rating, Accountability Rating, Sustainable Investment Research International (SiRi) Rating, as well as the two major German awards, CSR-Preis der Bundesregierung and the National German Sustainability Award. While these sources of information have become an important assessment approach for both academia and practice and are growing in popularity (Windolph, 2011), they are often criticized by research and practice to have certain flaws. The most common criticism involves a *“lack of standardization, lack of credibility of information, bias, tradeoffs, lack of transparency, and lack of independence”* (Windolph, 2011, p. 61). For example, multiple scholars discuss the issue of greenwashing, suggesting that these

rankings and indices only verify the information that is provided by the organizations and if organizations decide to engage in greenwashing, it may occur that these rating agencies not always detect these greenwashing cases. Nonetheless, the majority of research suggests that the processes and procedures involved in the verification of sustainable behavior and CSR activities of organizations leave little room for greenwashing, falsehood or omission (Peloza, Loock, Cerruti, & Muyot, 2012; Parguel, Benoit-Moreau, & Larceneux, 2011). Overall, even if unlikely, it needs to be acknowledged that due to this criticism eventually some of the selected MNCs in this study may not be true leaders in PSR implementation. However, to decrease the likelihood of having firms in the sample that do not meet the desired status, only those MNCs were included that were acknowledged as leading in PSR/CSR/sustainability by at least 2 of the presented sources.

The reason for focusing on MNCs was based on the suggestion that the infrastructure and operations of large suppliers vary less than the ones of smaller companies (Spence & Bourlakis, 2009) and research demonstrates that CSR and CSR activities in supply chains - the overarching area of PSR - are more common among large organizations (Andersen & Skjoett-Larsen, 2009; Baden, Harwood, & Woodward, 2011; Bondy, Moon, & Matten, 2012; Russo & Tencati, 2009; Cruz & Boehe, 2010; Jenkins, 2006; Murillo & Lozano, 2006; Vazquez-Carrasco & Lopez-Perez, 2013). Thus, the focus on MNCs appeared to be more suitable for extracting satisfactory information.

Furthermore, the target MNCs providing subject matter experts for this study were headquartered in Germany. The reason for this was based upon the fact that comparing multiple countries may be misleading, due to diverse economic and cultural conditions (Feldmann, 2007). Hence, a specific region had to be chosen and Germany is acknowledged as the strongest economic power in the European Union (Klennert, 2015) and Europe's leading exporter (Haft, 2015), relying strongly on the purchasing function. When investigating supplier management of Germany's largest stock companies, e.g. Harms et al. (2013) suggest that about half of the German stock companies source manufacturing parts and other supplies from more than 50 countries and 5000 suppliers, and another 25% source from more than 1000 suppliers. The majority of the suppliers are located in emerging and developing countries (72%). While this

data indicates complex international purchasing structures, at the same time it provides an excellent basis for investigating PSR. Next to the economic and purchasing conditions, also from the cultural perspective, Germany serves as a good fit for the purpose of the study as the underlying conditions - namely the growing consumer demand for low-cost products leading to heavy price wars and increasing mutual underbidding between companies - make it difficult for firms to adhere to PSR and yet there are plenty of German firms suggested to be excelling in this area.

In focus of this study was the consumer goods industry. This was motivated by research in which the majority of existing PSR literature, as demonstrated in chapter 4.2., focused on consumer goods allowing the author to make connections to previous research. In addition to this, industry specialization is required, following Maloni and Brown (2006, p. 35) who emphasize that *“one model of supply chain CSR does not fit all, and thus, additional research is needed to explore industry specific CSR issues”*. Moreover, the consumer goods industry is among the most visible industries to the public eye, receiving a lot of media attention in regards to companies' CSR and PSR activities, which is also reflected in academic literature. As such, this industry focus allows to further expand research in this sector. The choice of the consumer goods industry was further supported by the fact that the author already had established contacts to multiple subject matter experts from the target companies prior to this study through her work as a management consultant, and as getting access to practice often creates a challenge in research, this proved as another valuable reason for using this industry.

Overall, due to the fact that the framework should be based on the practices of the target MNCs, it was clear that the subject matter experts needed to be consulted in each of the three studies. However, as theoretical sampling suggests, further individuals may be included in the data collection to enhance the findings. Thus, experts in CSR, PSR, and SSCM from the consulting industry in Germany were included into the study as well. The reason behind this choice is that consultants usually have a great overview of specific topics and gain more objective knowledge as they work with a variety of different clients and enhance their knowledge from case to case. This knowledge was thus believed to be valuable for developing the final framework. Therefore,

experts from the consulting industry were included in the pre-study and end study. The main study was solely conducted with practitioners from the target MNCs.

In essence, the pre-study was launched in the form of seven semi-structured interviews with consulting experts and those from the target MNCs in the field of CSR, PSR, and SSCM to gain a deeper understanding of PSR in practice, to receive first answers for the objective of the study, and to further elaborate the interview questions and guideline for the main study. The main study was then focused entirely on the research question and its subquestions using eight semi-structured interviews with experts in CSR, SSCM, or PSR from the target MNCs. The end study in form of two focus groups with three participants each - again from the consulting industry and from the target MNCs - followed the objective to receive feedback on the research approach and to stress-test the validity of the literature review, pre-study and main study results.

The reason for using focus groups in the end study was to maximize the exploration of different perspectives on PSR implementation within a group setting and to challenge eventual contradictions between responses. In addition to this, focus groups are suggested to encourage participation from those who are reluctant to be interviewed on their own e.g. due to the formality or isolation of 1:1 interviews. Furthermore, research proposes that focus groups encourage contributions from less active participants through the discussion of other focus group participants (Kitzinger, 1995).

Overall, it was expected that this rather high amount of experts ($n = 21$) would lead to theoretical saturation. In fact, the overall amount of interview participants corresponds to the minimum non-probability sample size required for a) qualitative studies ($n = 15$), b) studies based on interviews ($n = 5-25$), and c) studies following the Grounded Theory ($n = 20-35$), as suggested by Saunders (2012).

The aim of the qualitative study was to involve the practitioners in almost every step of the data collection process to ensure that the final results of this dissertation are valid and relevant for practice. Moreover, by collecting feedback from multiple types of organizations (MNCs and consulting firms) in the pre-

study and end study, the amount and variety of consulted organizations was increased reaching a high diversity of experiences and knowledge.

Methodological triangulation was reached by using interviews and focus groups. In order to reach data triangulation different hierarchical levels and different types of experts were interviewed. The two types of experts consisted of participants from the consulting industry and participants from MNCs. The hierarchical levels included e.g. Head of CSR, Head of Sustainability, Head of SSCM, Head of PSR, or Head of Purchasing working in MNCs, or subject matter experts in form of managers, senior managers and partners from various consulting firms.

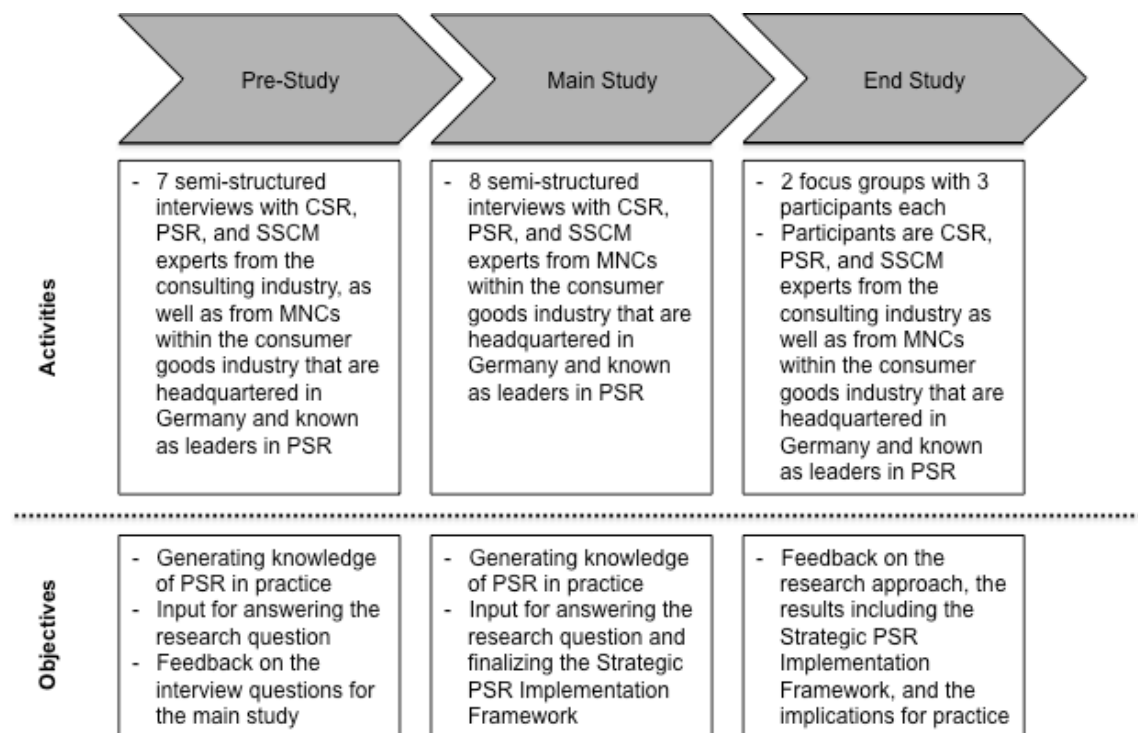


Figure 34: Activities and objectives of the three studies

Overall, knowledge was generated from academic literature as well as interviews and focus groups, which were transcribed and thoroughly analyzed using the Grounded Theory coding method (see chapter 5.4.1.1). All interviews were conducted via phone, transcribed, and kept completely confidential. While phone-based interviews are used less often in qualitative research than face-to-face interviews (Sweet, 2002), several reasons proofed phone-based interviews

as more effective for the purpose of this dissertation. First, research suggests that participants in qualitative phone-based interviews are more likely to disclose delicate information in comparison to face-to-face interviews (Novick, 2008) and PSR implementation might indeed bear sensitive information as e.g. the organization's attitude towards child labor in the supply chain. Furthermore, qualitative telephone interviews have been judged by research to be rich, detailed and of high quality (Sturges & Hanrahan, 2004). From the more practical point of view the advantages of phone-based interviews include an increased access to geographically spread participants and decreased costs for both the researcher and the participants as e.g. travel expenses are obsolete (Novick, 2008; Sturges & Hanrahan, 2004). For the focus groups there is another important advantage of phone-based interviews. This method corresponds to the agreed anonymity of the participants. In case, the focus groups would have been conducted in a face-to-face manner, the participants might have recognized each other and their identity may have been disclosed. Disadvantages of phone-based qualitative interviews include the absence of visual cues in form of body language and thus the loss of informal communication (Garbett & McCormack, 2001). However, the interpretation of body language may not always be essential as the chance to misinterpret gestures and actions is relatively high (Sturges & Hanrahan, 2004).

The collected data from the pre-study, main study, and end study was organized and analyzed using the MAXQDA software, a professional software solution for a structured qualitative data analysis. The author used this software for coding texts as well as for creating notes and memos. MAXQDA strongly simplified the process of searching, connecting, tagging and linking of text passages.

5.4 Qualitative study

5.4.1 Application of the Grounded Theory

While preliminary assumptions of a strategic PSR Implementation based on academic literature were made in chapter 4.5, in Grounded Theory the researcher must remain open to changes of previous assumptions and accept that previous knowledge was only preliminary. Hence, the Grounded Theory

refrains from creating hypotheses, which are to be tested. Instead the data collection begins rather broadly while gradually becoming more specific as knowledge grows (Strauss & Corbin, 1998). Therefore, the pre-study of the qualitative study aimed to gather as much information as possible to develop more focused questions for the main study, directed to answer the research question. In this process, assumptions, terminology and knowledge slightly changed but also expanded.

Coding of interviews and focus groups stopped, once theoretical saturation was reached. Of course there is no proof that more time or more data will not lead to additional findings so the researcher decided to discontinue once additional coding phases did not generate any further insights. As Rubin and Rubin (2012) emphasized, theoretical saturation is reached once the researcher is able to create a complete picture of the research theme.

As explained in earlier chapters of this study, the Grounded Theory always bears some subjectivity of the researcher. The analysis and interpretation of data including the identification of concepts and codes is filtered, to a certain extent, through the eyes of the researcher. For this, the author has explained and implemented several mitigating activities as demonstrated in chapter 5.1. After all, it is up to the reader to decide whether he or she perceives the approach and findings as appropriate.

5.4.1.1 Coding

The initial Grounded Theory by Glaser and Strauss (1967) was criticized by research for missing an element of how the data actually emerges from its source, making it rather incomplete as an approach. However, Strauss and Corbin (1998) picked up this issue and incorporated a detailed procedure on how to isolate and obtain data from relevant interviews in a logical and structured way. In essence, this procedure comprises three steps, namely open coding, axial coding, and selective coding, clustered in a so-called coding scheme. When combined, these three steps guide the process of identifying relevant data, internal connections and the motivation behind certain actions or situations. The interview transcriptions were hence coded using the complete

three steps as by Strauss and Corbin (1998). For this, as explained in chapter 5.3 the MAXQDA software was used.

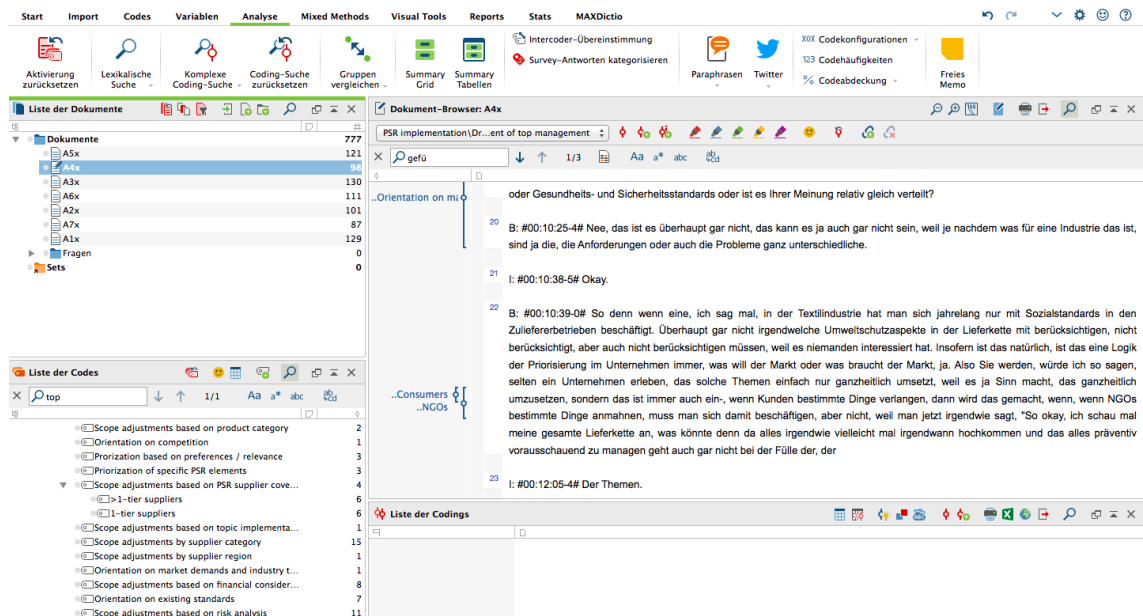


Figure 35: Screenshot example from MAXQDA (1)

The process started with reading the transcriptions chronologically and tagging the transcriptions with first codes. The number of codes was irrelevant during the process. Oftentimes multiple codes were identified in one sentence as illustrated in Figures 36 and Figure 37. Figure 36 depicts the code “NGOs”, while Figure 37 highlights the code “Consumers”.

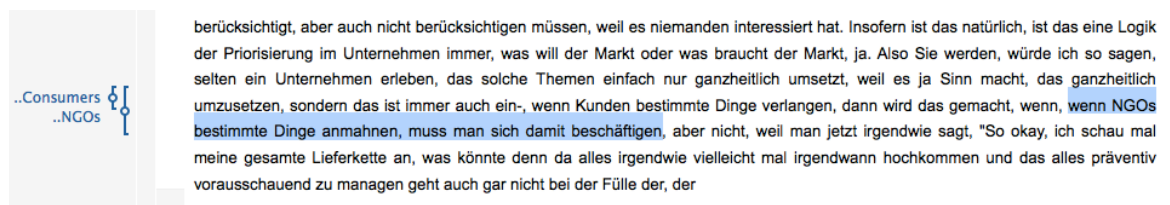


Figure 36: Screenshot example from MAXQDA (2)

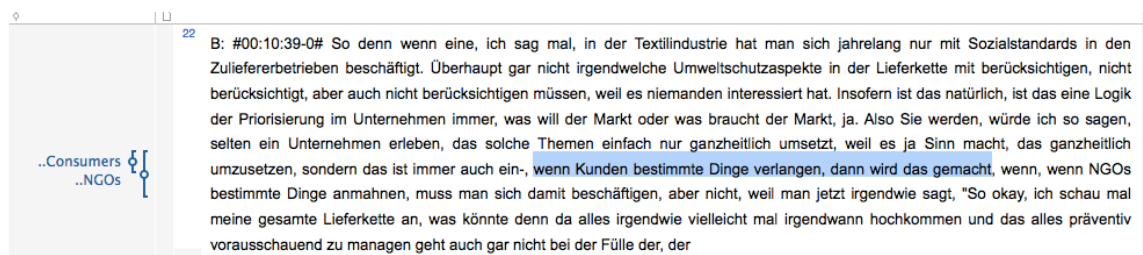


Figure 37: Screenshot example from MAXQDA (3)

In essence, open coding helped to identify groups of information and repeating patterns with the aim to develop first codes and basic issues or topics. In the next step the developed codes were combined into subcategories with first titles. For example the codes “Consumers” and “NGOs” were clustered under the subcategory “External: pressures from a variety of stakeholders” as these codes reflected examples of external pressures organizations experience to implement PSR. Afterwards, axial coding supported the identification of relationships and connections between the detected themes. Statuses or topics were connected with possible motives and roots. In the last step, selective coding guided the establishment of core categories and united them with the other subcategories to fully understand and explain the phenomena. Looking at the example of “External: pressures from a variety of stakeholders” this subcategory was clustered under the core category “Drivers of PSR implementation” next to other subcategories.

To shed more light on the coding process, the following three screenshots taken from MAXQDA provide an example of how the number of codes and subcategories progressed within the core category “Drivers of PSR implementation” in the pre-study. The first screenshot, Figure 38, shows only nine drivers of PSR implementation clustered into four subcategories, corresponding to the number of times each code was mentioned. With the analysis of further transcripts, additional codes and subcategories were identified and oftentimes the wording of the codes and subcategories was sharpened to provide a clearer picture. Whenever these additional codes or new patterns were discovered, the author went back to the previously analyzed transcripts to ensure that these new findings would be considered in all transcripts and that the analysis would be comprehensive.

| | A | B | C | D | E |
|----|-------|-------------------------------|--|---|-------------------------|
| 1 | Farbe | Kategorie | Obercode | Code | Codings aller Dokumente |
| 8 | | Drivers of PSR implementation | Internal: Motivation: economic self-interest / potential business benefits (long-term business survival; improvement of financial performance) | Through risk minimization (minimization of reputational damage to avoid loss of market share) | 2 |
| 9 | | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Willingness to invest in PSR | 1 |
| 10 | | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Commitment of top management | 2 |
| 80 | | Drivers of PSR implementation | Internal: Pre-conditions | Technical capabilities | 2 |
| 81 | | Drivers of PSR implementation | Internal: Pre-conditions | Sufficient financial, human, and technical resources | 3 |
| 95 | | Drivers of PSR implementation | Internal: Pre-conditions | Response to CSR department request | 1 |
| 96 | | Drivers of PSR implementation | External: Pressures from a variety of stakeholders | Governments: current and anticipated laws and regulations | 1 |
| 97 | | Drivers of PSR implementation | External: Pressures from a variety of stakeholders | NGOs | 1 |
| 98 | | Drivers of PSR implementation | External: Pressures from a variety of stakeholders | Consumers | 3 |

Figure 38: Screenshot example from MAXQDA (4)

Figure 39 shows the coding status of roughly the middle of analysis, while Figure 40 depicts the final result of the pre-study's "Drivers of PSR implementation" core category once all coding steps were finalized.

| | A | B | C | D | E |
|-----|-------|-------------------------------|--|---|-------------------------|
| 1 | Farbe | Kategorie | Obercode | Code | Codings aller Dokumente |
| 7 | | Drivers of PSR implementation | Internal: Motivation: economic self-interest / potential business benefits (long-term business survival; improvement of financial performance) | Through risk minimization (minimization of reputational damage to avoid loss of market share) | 8 |
| 8 | | Drivers of PSR implementation | Internal: Motivation: economic self-interest / potential business benefits (long-term business survival; improvement of financial performance) | Through security of a continuous availability of products and raw materials | 4 |
| 9 | | Drivers of PSR implementation | Internal: Motivation: economic self-interest / potential business benefits (long-term business survival; improvement of financial performance) | Through enhancing the relationship with shareholders and attracting future investors / better access to capital and investors | 3 |
| 10 | | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Willingness to invest in PSR | 2 |
| 11 | | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Commitment of top management | 7 |
| 12 | | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Commitment of middle management | 3 |
| 67 | | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Founding purpose and time | 2 |
| 101 | | Drivers of PSR implementation | Internal: Pre-conditions | Technical capabilities | 4 |
| 103 | | Drivers of PSR implementation | Internal: Pre-conditions | Sufficient financial, human, and technical resources | 6 |
| 110 | | Drivers of PSR implementation | Internal: Pre-conditions | Support of purchasing department | 3 |
| 131 | | Drivers of PSR implementation | Internal: Pre-conditions | Response to CSR department request | 2 |
| 132 | | Drivers of PSR implementation | Internal: Pre-conditions | Response to employee request | 1 |
| 134 | | Drivers of PSR implementation | External: Pressures from a variety of stakeholders | Governments: current and anticipated laws and regulations | 6 |
| 137 | | Drivers of PSR implementation | External: Pressures from a variety of stakeholders | NGOs | 3 |
| 138 | | Drivers of PSR implementation | External: Pressures from a variety of stakeholders | Consumers | 7 |

Figure 39: Screenshot example from MAXQDA (5)

| | A | B | C | D | E |
|-----|-------|-------------------------------|--|---|------------------------|
| 1 | Farbe | Kategorie | Obercode | Code | Codings aller Dokument |
| 16 | ● | Drivers of PSR implementation | Internal: Motivation: economic self-interest / potential business benefits (long-term business survival; improvement of financial performance) | Through risk minimization (minimization of reputational damage to avoid loss of market share) | 12 |
| 17 | ● | Drivers of PSR implementation | Internal: Motivation: economic self-interest / potential business benefits (long-term business survival; improvement of financial performance) | Through security of a continuous availability of products and raw materials | 6 |
| 18 | ● | Drivers of PSR implementation | Internal: Motivation: economic self-interest / potential business benefits (long-term business survival; improvement of financial performance) | Through enhancing the relationship with shareholders and attracting future investors / better access to capital and investors | 7 |
| 19 | ● | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Willingness to invest in PSR | 3 |
| 20 | ● | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Commitment of top management | 10 |
| 24 | ● | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Commitment of middle management | 5 |
| 88 | ● | Drivers of PSR implementation | Internal: Motivation: altruistic reasons | Founding purpose and time | 3 |
| 122 | ● | Drivers of PSR implementation | Internal: Pre-conditions | Technical capabilities | 5 |
| 124 | ● | Drivers of PSR implementation | Internal: Pre-conditions | Sufficient financial, human, and technical resources | 9 |
| 131 | ● | Drivers of PSR implementation | Internal: Pre-conditions | Support of purchasing department | 4 |
| 152 | ● | Drivers of PSR implementation | Internal: Pre-conditions | Response to CSR department request | 4 |
| 153 | ● | Drivers of PSR implementation | Internal: Pre-conditions | Response to employee request | 3 |
| 155 | ● | Drivers of PSR implementation | External: Pressures from a variety of stakeholders | Governments: current and anticipated laws and regulations | 8 |
| 158 | ● | Drivers of PSR implementation | External: Pressures from a variety of stakeholders | NGOs | 5 |
| 159 | ● | Drivers of PSR implementation | External: Pressures from a variety of stakeholders | Consumers | 10 |

Figure 40: Screenshot example from MAXQDA (6)

Once the coding process was complete, the findings were brought together in tables, depicting whether the minority (“x”) or majority (“xx”) of interviewees have confirmed a particular code. For this, the author went back to MAXQDA, reviewed each transcript and counted the number of interviewees confirming a particular statement.

5.4.2 Application of Engaged Scholarship

Engaged Scholarship is a collaborative form of research including the target audience of the study to understand a certain problem in a specific context. The target audience of the study consists basically of stakeholders who have a personal interest in the research topic and therefore are familiar with the theme specifics (Van de Ven, 2007). *“By exploiting differences in the viewpoints of these key stakeholders, engaged scholarship produces knowledge that is more penetrating and insightful than when researchers work alone”* (Van de Ven & Jing, 2012, p. 126). In fact, it is assumed that knowledge produced in a joint

collaboration between academics and practitioners enhances the learning community of both research and practice (Van de Ven, 2007).

Engaged Scholarship has been applied to this study in several steps. To simplify the application, the Engaged Scholarship Diamond Model by Van de Ven (2007) was used. This model encompasses four activities to obtain both specific and general knowledge: **problem formulation**, **theory building**, **research design** and **problem solving**.

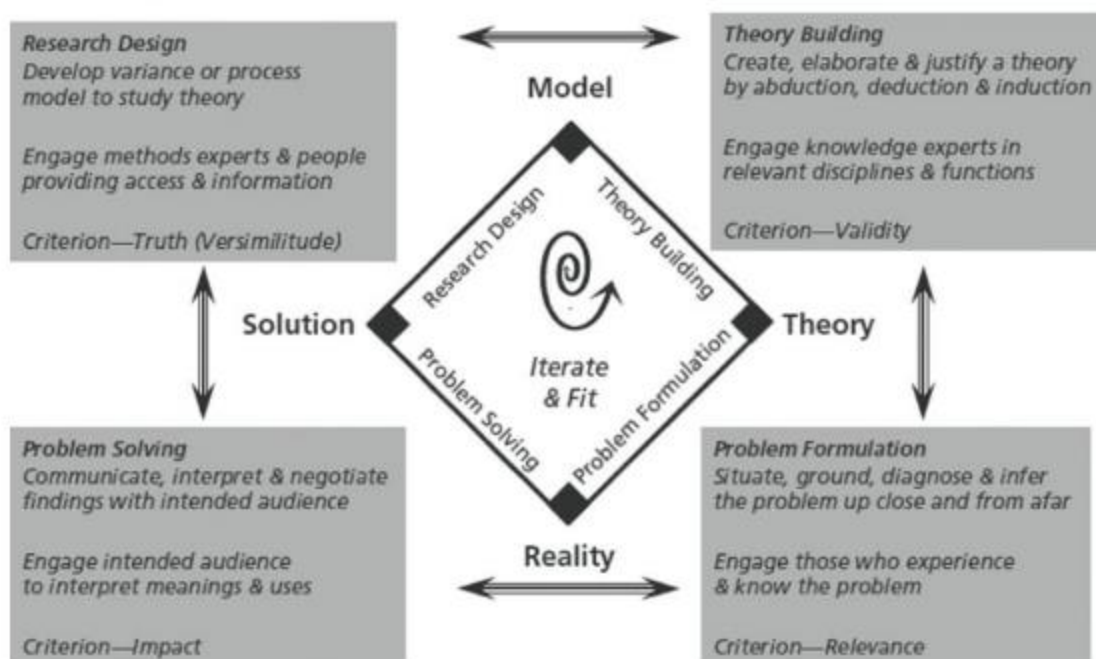


Figure 41: Engaged Scholarship Diamond Model (Van de Ven & Jing, 2012)

The **problem formulation** step aims to identify and ground a specific research area or problem from near and far by investigating why and how this problem exists, who is involved, where and when it is to find and what the problem contains. For this, collaboration with affected parties and a literature review are required. The author was exposed to this topic during her profession, where she was working with firms who were either involved in CSR or PSR violations, recently recovered from a reputational damage caused by these violations or were perceived as leading examples in this area. The diverse management and understanding of PSR and CSR issues in practice turned her attention to

academia, to investigate whether research had an answer to a successful strategic PSR implementation. She scanned academic literature and exposed a gap in this research area so a problem formulation was possible.

Following this, **theory building** was conducted. Theory building “*requires a review of existing theories and research in the literature that may address the problem / topic being studied, as well as conversations with knowledge experts from relevant disciplines and functions*” (Van de Ven & Jing, 2012, p. 129). Hence, the author conducted an extensive literature analysis focusing not only on the area of PSR implementation, but also on related literature to understand the theme from as many angles as possible. The obtained data was clustered and categorized to identify relevant knowledge. Once the author realized that the information provided in academic literature seemed to be not enough to answer the research question sufficiently, she decided to tap other sources to obtain missing relevant information: subject matter experts.

It was clear that, due the gap in the literature, knowledge of subject matter experts was required to uncover and identify strategic elements and patterns that were not yet discovered as well as to clear misunderstandings and to provide further background information in order to answer the research question and to complete a strategic PSR implementation model. For this, the author decided to conduct a qualitative, explorative study and include interviews and focus groups with subject matter experts into the **research design**. Overall, knowledge was built based on academic literature drafting the Strategic PSR Implementation Framework and on practical knowledge and experiences of the subject matter experts, which led to a verification and completion of the framework.

A close collaboration of the researcher and the practitioners to jointly reach the research results was maintained. Findings were communicated to the target audience of the study. In addition to this, as the **problem solving** process outlines, the researcher stayed involved with the target audience and gathered their feedback through the focus groups and applied their comments into the research findings.

5.4.3 Interview process and techniques

While research states that “*there is no typical grounded theory interview*” (Wimpenny & Gas, 2000, p. 1488), e.g. Goulding (1999) recommends that a semi-structured interview allows for gathering large amounts of information in a collaboration between the interviewer and interviewee while ensuring that both parties follow a basic structure while working towards a common set of objectives. While identifying the right procedure also the narrative and the focused interview were analyzed. However, both proved unfit for the purpose of the study. A narrative interview would not have been able to provide the relevant level of detail and concrete examples while embodying the risk of going off topic. A focused interview could have also generated islands of focused topics while not providing sufficient information to understand the overall picture. This would have contrasted the philosophy of the Grounded Theory.

Overall, all interviews followed a standard process which was optimized during and after the pre-study. Each interview of the three studies (pre-study, main study and end study) was structured in a pre-call, the actual call and an after-call (please see chapters 5.4.3.1, 5.4.3.2, and 5.4.3.3 for detailed information). The motivation was to extract the maximum amount of information per interview partner. Overall, a great value was to be exposed to current activities of companies via the interviews. This helped to link current market trends and the dynamics of the target organizations.

The purpose of the pre-study, main study, and end study was to gather structured information on how firms strategically implement PSR within their organizations and to validate, supplement and improve existing knowledge on PSR Implementation. The knowledge gained in the three studies includes e.g. information on PSR implementation barriers, implementation drivers, strategic measures and continuous improvement activities.

The duration of each interview was approximately 45 minutes. Focus groups (consisting of 3 participants each) lasted approximately 1 hour per session. Both, interviews and focus groups were conducted via phone. All conversations were held in German to overcome language barriers and to reduce bias. They were all recorded and transcribed. Data analysis including memos, notes, codes and categories was conducted in English.

The participants were treated as anonymous individuals in both the interviews and focus groups. The names of the interview participants and their employers remained confidential and were replaced in the dissertation with an alphanumeric identification code. Hence, only individual informed consent was required. In a few cases, the author had to sign non-disclosure agreements of the participant's employer instead of the University's individual consent. Types of employers were only generically described such as "MNC" or "consulting firm". Moreover, all transcriptions and the dissertation were sanitized. This means that any terms disclosing the origin of the participant, such as company name, names of people, products, services, locations, and projects were either deleted or paraphrased. Via the quotes, transcriptions or dissertation text it is not possible to predict or track the origin of the sources. While the author is able to link the individual interview participants to their company to support data validation and triangulation, none of this information is visible in this dissertation. Due to the signed several non-disclosure agreements prohibiting to upload any interview data (including non-disclosure agreements, individual consent, recordings and transcriptions) to the University's servers, only this dissertation was stored on the University's servers. There is no hard-copy data.

5.4.3.1 Pre-call

All potential participants were briefed prior to the actual interview and focus group in the pre-call. The call was arranged with every interview participant a week ahead of the actual interview. Moreover, each potential interview partner received an email with a brief overview of the call and an attachment including the informed consent document. The calls lasted 10 minutes on average and were used to explain the research focus, the data gathering procedure, the purpose of the dissertation and the interviews as well as their procedure. Furthermore, the confidentiality procedure, informed consent and data sanitization process were explained. The participants further had the opportunity to ask first questions for understanding and clarification. After the briefing, the researcher asked the participant to sign the informed consent and send it to the researcher via email prior to the scheduled interview / focus group date. In multiple cases, the informed consent was replaced with the participant's

employer non-disclosure agreement. Moreover, these calls also proved valuable in verifying if the interview candidate was able to provide the right amount and level of information.

5.4.3.2 Actual call

In order for the interviewees to collect and structure their thoughts, on average one week passed between the pre-call and the actual interviews. Before starting the recorder, the objectives and general structure of the call were again explained and last questions asked. The phone interviews were all taped with two recorders. To improve the interview quality along the way, the interviewees were asked to provide feedback on the interview procedure, logic, atmosphere and style of questioning. All of this led to a continuous improvement of the interviews.

Overall, as mentioned in earlier chapters the interviews were designed and conducted as semi-structured interviews. This allowed for a hybrid of covering predefined steps while approaching the known goal, and giving the interview participant the opportunity to think back and reflect on his / her entire portfolio of knowledge and experiences. Moreover, this way the interviewee was able to emphasize certain topics and undermine these arguments with additional stories and concrete examples. During each interview the interviewer asked to provide additional deep explanations and examples. This helped to increase the reliability of the interview content and to gather substance for concrete practical measures.

5.4.3.3 After-call

Each interview procedure finished with an after-call approximately two to three days after the interview. Again, this was done to give the interviewee sufficient time to reflect. During this call the interviewees had the opportunity to share additional information that was forgotten previously. The interviewer had also the opportunity to clarify questions that came up while listening to the audio version of the interview, as well as to ensure that answers were understood correctly.

5.4.4 Ethical considerations

Ethical considerations are an integral part of professional research practice. The guiding instrument for this dissertation is the Northumbria University's Ethics Policy. As the researcher used interviews and focus groups for data gathering with participants from practice, she ensured that her research was conducted voluntarily. Interview participants had the right to withdraw from the interviews and focus groups at any time.

5.4.5 Triangulation

In order to increase the objectivity of the researcher throughout the course of this study, the triangulation approach by Eisenhardt (1989) was followed. Further details are presented in Figure 42.

| Triangulation element | Procedure |
|--|---|
| Author <ul style="list-style-type: none">• Making use of a feedback group and sparring partners | <ul style="list-style-type: none">• Throughout the course of this study a feedback group was used to present the current status, methods, and results to. The group provided additional angles and viewpoints that helped the author to reflect on her work and approach |
| Methodology <ul style="list-style-type: none">• Usage of multiple methods in the data gathering process | <ul style="list-style-type: none">• Interviews and focus groups were used as a methodological triangulation |
| Data <ul style="list-style-type: none">• Extracting information from several angles and tapping different portfolios of knowledge | <ul style="list-style-type: none">• Interview partners were experts in CSR, SSCN, and PSR from multiple companies from both the consulting industry and from MNCs, that are recognized as leaders in sustainability. Furthermore, different hierarchical levels of experts were interviewed. The variety of knowledge and points of view proved useful in understanding more than one side of the story |
| Results and data <ul style="list-style-type: none">• Both were exposed to focus groups for verification | <ul style="list-style-type: none">• During the end study, focus groups validated and challenged the results and approach of this research. All participants were from different companies |

Figure 42: Triangulation elements and procedure

5.4.6 Selection of experts

Right from the start it showed that quite a large group of interviewees had to participate in order to reach theoretical saturation, extract sufficient knowledge and to develop the practical model. The identification and search for interviewees began during the literature review in order to give sufficient time and avoid idle weeks.

Corresponding to the Grounded Theory, participants were selected using theoretical sampling. To find MNCs leading in PSR, several rankings were used. However, due to the fact that participants in this study are treated anonymously, this study does not disclose the exact names of the rankings in which the participating companies are listed to ensure that it is not possible to predict or work out the origin of the sources.

Once appropriate MNCs were identified, CSR, SSCM, and PSR experts, as well as Heads of Purchasing were contacted. In order to find appropriate experts from the consulting industry the German CSR directory www.csr-directory.net (CSR-News, 2015) and the Lündendonk consultancy list - Lündendonk is Germany's major market research company - (Lündendonk, 2015) were used to search for consulting firms. Appropriate interview candidates were identified through either the firm websites or contact offices.

As outlined in chapter 5.3, the participants consisted of two groups: CSR, PSR, and SSCM experts from the consulting industry and CSR, PSR, and SSCM experts from MNCs that are recognized as leaders in sustainability. The employers of the participants were all headquartered in Germany and consulting / operating within the consumer goods industry. The participants were experts working on different hierarchical levels to enhance the triangulation and obtain different points of view. These levels included e.g. Head of CSR, Head of Sustainability, Head of SSCM, Head of PSR, or Head of Purchasing working in MNCs, or subject matter experts in form of managers, senior managers and partners from various consulting firms. Overall, the emphasis was put on upper management as this population is suggested to give a more comprehensible strategic overview.

Overall, 6 participants worked in the consulting industry and 15 participants worked for MNCs. In all three studies each participant worked for a different company to increase the knowledge pool.

5.4.7 Approach and preparation of the three studies

5.4.7.1 Pre-study

5.4.7.1.1 Purpose, approach, and participants

In order to set a first foot into the field of research a pre-study was carried out with the objective to collect first information of strategic PSR implementation in practice and to further elaborate and finalize the interview questions and guideline for the main study. The pre-study was launched in form of seven semi-structured interviews with consulting experts and subject matter experts from the target MNCs in the field of CSR, PSR and SSCM. Experts were from different organizations and hierarchical levels in order to receive several points of views and to tap several pools of knowledge. Especially, consultancies acted as hubs or multipliers and allowed for a broad level of knowledge. All interview partners shared their knowledge and so called “best practices”.

| Participant overview | | |
|----------------------------------|-----------------|---|
| Alphanumeric identification code | Employer | Job title |
| A1x | Consulting Firm | CEO |
| A2x | Consulting Firm | Executive Director Sustainability Services** |
| A3x | Consulting Firm | Senior Manager Sustainability Services |
| A4x | Consulting Firm | CEO |
| A5x | MNC* | Head of Corporate Social Responsibility |
| A6x | MNC* | Manager Quality Control and Social Compliance |
| A7x | MNC* | Head of CSR and Sustainability |

* MNC consumer goods industry

** rephrased due to anonymity reasons

Figure 43: Pre-study participants

Following the discussion of literature interview questions for the pre-study were created. All questions were designed to follow the objective of the study: to answer the research question, subquestions and to finalize the Strategic PSR Implementation Framework. The pre-study also aimed to further elaborate the questions and guideline for the main study.

In essence, all questions corresponded to the Grounded Theory. Hence, while being semi-structured they were formulated very openly to avoid influencing the interview participant in his or her answers.

The first questions were opening questions to set the scene such as “When did your firm implement PSR?”. Afterwards the level of detail and complexity rose from question to question to gain information on the drivers and barriers to PSR implementation, the key strategic implementation measures and continuous improvement activities. Furthermore, all questions included sub-questions aimed to understand the underlying reasons, approach and procedures for each theme. In the end, as the pre-study also followed the objective to verify the suitability of the interview guide for the main study, interview participants were asked to provide feedback on the interview style, comprehension and logical sequence of questions. In addition to this, they were asked to suggest additional questions or relevant information that should be included in the main study interview guideline. This feedback loop also corresponds to the idea of Engaged Scholarship, by involving the audience into key steps of this dissertation.

To ensure suitability and verify the length of the interview, the interview guideline was reviewed and practiced with fellow researchers. The interview questions may be found in Appendice B.

5.4.7.1.2 Input for main study

Following the feedback of the pre-study participants, main study questions were formulated almost exactly the same as the pre-study questions. Only a few changes were made. For example, in a few questions the wording was sharpened whenever in the pre-study questions were not understood right away. For example, the majority of participants had difficulties to understand the question “Did your firm adapt anything within the organization to implement or maintain PSR?”. Participants asked several times for examples of what is meant by “adapt anything”. Thus, the question for the main study was rephrased into “Did your firm introduce or adapt anything (e.g. structures, processes, systems) within the organization to implement or maintain PSR?”. Furthermore, corresponding to the natural flow of conversation during the pre-

study, in the main study the sequence of some questions was changed. A few questions were also removed from the main study whenever all respondents in the pre-study provided the same answer and saturation was reached. Moreover, neither feedback on the interview nor the question for further information or additional questions was asked in the main study due to the fact that for the main study all questions should remain the same to achieve the highest possible comparability of answers. At the same time, one additional question was included “what are the general consequences of PSR implementation in your organization?”. While this was not specifically asked in the pre-study, a few pre-study interviewees elaborated on this topic and as such this question was included in the main study.

5.4.7.2 Main study

5.4.7.2.1 Purpose, approach, and participants

The main study was focused entirely on the research question and its subquestions using eight semi-structured interviews with experts in CSR, SSCM, or PSR from the target MNCs. The experiences and feedback from the pre-study participants were included in the questions and procedure of the main study.

| Participant overview | | |
|----------------------------------|----------|--------------------------------------|
| Alphanumeric identification code | Employer | Job title |
| A08y | MNC* | Vice President CSR** |
| A09y | MNC* | Head of CSR and Quality Management** |
| A10y | MNC* | Head of Corporate Responsibility |
| A15y | MNC* | Head of Corporate Responsibility |
| A11y | MNC* | Head of Corporate Responsibility |
| A12y | MNC* | Head of Sustainability |
| A13y | MNC* | Manager CSR & Social Compliance |
| A14y | MNC* | Head of Strategic Buying and CSR |

* MNC consumer goods industry

** rephrased due to anonymity reasons

Figure 44: Main study participants

5.4.7.3 End study

5.4.7.3.1 Purpose, approach, and participants

The end study consisted of two focus groups with three participants each (again using practitioners from the consulting industry and experts from the target MNCs in the field of CSR, PSR, and SSCM) with the aim to discuss and stress-test the validity of the preliminary Strategic PSR Implementation Framework and the pre-study and main study results. Furthermore, the aim was to gather feedback on the research approach and the implications for practice.

| Participant overview | | |
|----------------------------------|-----------------|--|
| Alphanumeric identification code | Employer | Job title |
| A16z | MNC* | Head of CSR |
| A17z | Consulting Firm | Partner Sustainability Services*** |
| A18z | MNC* | Head of Procurement |
| A19z | MNC* | Head of Corporate Responsibility |
| A20z | MNC* | Manager Sustainability Services |
| A21z | Consulting Firm | Senior Manager Supply Chain Management |

* Focus Group 1 / 2
 ** MNC consumer goods industry
 *** rephrased due to anonymity reasons

Figure 45: End study participants

The approach of the focus groups was adopted from the pre-study and main study. In essence, the focus groups were conducted via phone, were audio taped and transcribed using the same methods and techniques of analysis. The procedure was again divided into a pre-, main- and after-call. In the pre-call, the anonymity approach was discussed and participants were briefed to neither disclose their name (besides their first names) nor the origin of their employer during the main-call. Prior to the focus group appointments, each participant received a report of the study's research approach, results of the pre-study and main study and an overview of the preliminary Strategic PSR Implementation Framework to be prepared for the upcoming discussion.

The semi-structured questions were divided into 5 sections. The first two sections were focused on the relevance of this study and the research approach, while the center piece was section 3 aiming to gather feedback on the pre-study and main study results as well as on the preliminary Strategic PSR Implementation Framework. Section 4 dealt with the generalizability of

results and section 5 focused on the strengths and weaknesses of this study as well as suggestions for further research.

End study interview questions (translation from German to English):

Please note:

“You”, “your firm”, “your organization”, “your company” refer to the employer of the participant.

1. Relevance of this study
 - a. What is your opinion on the relevance of this study and why?
 - b. How is this study relevant to your daily job?
2. Research approach
 - a. What is your opinion on the overall research approach?
 - b. What would you have done differently?
3. Pre-study and main study results
 - a. What are your thoughts on the pre-study and main study results?
 - b. Which results apply to your company or the companies you consult? Which results do not apply?
 - c. Which results do you agree or disagree with and which ones do you perceive as irrelevant? Which ones are new to you?
 - d. Which aspects are missing in the results and in the preliminary Strategic PSR Implementation Framework?
4. Generalizability of pre-study and main study results
 - a. How do you assess the generalizability of the results?
5. General remarks
 - a. What are in your opinion the strengths and weaknesses of this study?
 - b. Which aspects or areas of this study should be further investigated by research?

The original German interview questions may be found in Appendice B. During the focus groups the author used the first minutes to let the participants introduce themselves with their first names only due to the described anonymity reasons. Moreover, the author remained deliberately passive during the focus groups and moderated the discussion. She only intervened when topics were about to go off track or to ask additional questions.

6 Findings

6.1 Pre-study results

The structure of this chapter intentionally does not follow a rigid sequence, as due to the Grounded Theory the interview flow varied slightly from one interview to another. To demonstrate the voice of the interviewees, multiple quotes - translated from German to English - are included.

Please note: “Her/his/their firm/company/organization” refer to the employer of the participant. In case the interview participant was employed by a consultancy firm the answers provided reflect the best case examples of leading companies in PSR. The pronoun “he/his/him” is used as gender-neutral and may also apply to female interviewees.

- **PSR beginnings:**

The majority of respondents agree that their employers or companies they consulted began implementing PSR between 2009 and 2014. A few interviewees stated an earlier date, around 2000 (Interviewee A4x, Interviewee A1x, and Interviewee A6x). Overall, the respondents agree that in general the topic of PSR has been discussed for a much longer period of time, many years prior to the actual PSR implementation. Furthermore, more than half of the respondents suggested that the PSR implementation date depends on the industry and is an issue of MNCs only (Interviewee A4x, Interviewee A3x, Interviewee A1x, and Interviewee A2x). According to their observations, the consumer goods industry and especially the apparel sector began earlier with implementing PSR than others. However, other sectors were not specified.

- **Drivers of PSR implementation:**

The majority of respondents reported that for them the drivers of PSR implementation equal the requirements to implementation, highlighting their importance to this undertaking. Overall, respondents reported both external and internal drivers / requirements for PSR implementation.

- **External requirements and drivers:**

- External social awareness / market and stakeholder expectations:
According to multiple interviewees the prerequisite for PSR implementation is the growing social attention for this topic (Interviewee A1x, Interviewee A2x, and Interviewee A4x). Nowadays stakeholders increasingly demand that the selling company also needs to ensure that their supply chains are PSR compliant. As one interviewee (Interviewee A2x) observed, market pressures were often triggered by CSR / PSR scandals, such as the Rana Plaza incident (Werner et al., 2014). Overall, market and stakeholder expectations were mentioned as a driver of PSR implementation by all interviewees.
- External pressures from customers:
More specifically, the majority of respondents reported that with the growing social awareness of PSR, customers proactively ask firms where their products come from and whether they correspond to general CSR standards. As two interviewees pointed out

“An awareness for products is developing” (Interviewee A7x) and

“I assume that the strongest pressure comes from the customer himself. Let’s take the catchword Bangladesh as a recent example to show how quickly companies react in that case. One could see how quickly textile companies and fashions brands reacted under the pressure there was” (Interviewee A2x).
- External pressures from NGOs:
One interviewee (Interviewee A4x) mentioned this driver of PSR implementation. No further information was provided.
- External regulatory pressures:
External regulations were mentioned by the majority of interviewees. One frequently provided example was the upcoming European CSR reporting legislation (Huber-Heim, 2018), which is suggested to positively influence

PSR implementation (Interviewee A1x, Interviewee A2x, Interviewee A3x, and Interviewee A7x).

- **Internal requirements and drivers:**

- Top management support and personal commitment:

The majority of interviewees emphasized that the key to implementing PSR lies in top management support. Two interviewees (Interviewee A3x and Interviewee A2x) further elaborated that PSR needs to be implemented top-down instead of bottom up, reinforcing why top management support is crucial. Interviewee A3x summarized this as follows

“Well, I think that the key requirement is that the top management, the C-level, has recognized this topic and the necessity to do something about it. Only in the rarest of cases the implementation is conducted bottom-up. Instead someone from the top who is authorized to give orders and has identified this problem needs to say that something needs to be done.”

- Response to CSR department request:

A few interviewees reported that PSR is often triggered by the request of the CSR department (Interviewee A1x and Interviewee A2x).

- Response to employee request:

One interviewee (Interviewee A2x) pointed out that

“Everyone wants to have a good feeling about what they do”

explaining that employee requests are often a driver of PSR implementation.

- Founding purpose and time:

One interviewee (Interviewee A5x) reported that the mindset of being a responsible company already existed when the company was founded.

As knowledge on PSR grew, measures were continuously expanded to reach a satisfactory PSR status.

- Middle management support:

Middle management support and their acknowledgment of PSR importance were mentioned a few times as an important requirement for PSR implementation (Interviewee A3x, Interviewee A5x, and Interviewee A3x).

- Support of purchasing department:

While the majority of interviewees reported that the purchasing department was hesitant to implement PSR, a few interviewees mentioned that the purchasing department needs to stand behind the decision to implement PSR, as PSR tasks will become part of their daily business (Interviewee A1x and Interviewee A7x).

- Sufficient resources:

The majority of interviewees pointed out that organizations require financial, human and technical resources to implement PSR.

- Technical capabilities:

Adding on to the aspect of technical resources, a couple of interviewees (Interviewee A1x, Interviewee A4x, Interviewee A7x, and Interviewee A5x) mentioned that in order to implement PSR, organizations need to have the technical capabilities to integrate PSR processes into business processes and merchandise management systems. For example, the purchasing criteria need to be extended by PSR criteria and organizations need to be able to verify and document electronically supplier information.

“When I or someone wanted to do checks on 10.000 suppliers, evaluate the data and derive results from that, we would probably require extensions to our current system” (Interviewee A4x).

- Willingness to invest in PSR:

Having sufficient resources and willing to invest in PSR implementation are two separate aspects according to one interviewee, who pointed out that the willingness to invest in this concept is the crucial determinant of PSR success (Interviewee A6x).

- Economic self-interest:

All respondents mentioned economic self-interest as the main PSR driver. This comprises the avoidance or risk reduction of reputational damage from PSR scandals (mentioned by all respondents) as well as security of continuous availability of products and raw materials (mentioned by over 1/3 of the interviewees, namely by Interviewee A1x, Interviewee A4x, and Interviewee A6x), which may become unavailable without PSR. According to the respondents, however, security of products and raw materials is the least important reason for implementing PSR. Another aspect mentioned as being part of economic self-interest is access to capital / access to investors (mentioned by two participants, namely by Interviewee A2x and Interviewee A5x). Some investors want to ensure that the company they invest in will not suffer from reputational damage, which may lead to a decline in stock prices.

In essence, Figure 46 provides a summary of the drivers of PSR implementation that were mentioned in the pre-study.

| | | | | Pre-study |
|---|----------|---|---|-----------|
| Drivers | Internal | Motivation: economic self-interest / potential business benefits | Essential for long-term business survival and for improvement of financial performance | xx |
| | | | Through risk minimization (minimization of reputational damage to avoid loss of market share) | xx |
| | | | Through security of a continuous availability of products and raw materials | x |
| | | | Through enhancing the relationship with shareholders and attracting future investors / better access to capital and investors | x |
| | | Motivation: altruistic reasons | Willingness to invest in PSR | x |
| | | | Commitment of top management | xx |
| | | | Commitment of middle management | x |
| | | | Founding purpose and time | x |
| | | Pre-conditions | Technical capabilities | x |
| | | | Sufficient financial, human, and technical resources | xx |
| | | | Support of purchasing department | x |
| | | | Response to CSR department request | x |
| | | | Response to employee request | x |
| | External | Pressures from a variety of stakeholders | Consumers | xx |
| | | | NGOs | x |
| | | | Governments: current and anticipated laws and regulations | xx |
| "xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees | | | | |

"xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees

Figure 46: Pre-study results: PSR drivers

○ **Barriers of PSR implementation and corresponding measures:**

○ Lack of understanding of PSR importance:

The majority of interview partners reckon that a major barrier to PSR implementation is a lack of understanding of the strategic relevance of PSR, lack of understanding that organizations have indeed a responsibility over their supply chains. An according measure, which was frequently mentioned, is top management's initiative to achieve visibility and demonstrate support to pursue this topic.

○ Resistance to change the current mode of operation:

The majority of interview partners also view the resistance to change as a barrier to PSR implementation. Purchasing employees often do not want to take on additional tasks or are afraid of a massive change of their working behavior.

"We have employees that say, dear god, I am doing this the same way for ten years now and this has always been the focus. Now you want me to change all of that. That takes time, which is human. It just takes time until you have everyone on the same page. There is also fear of the unknown. With every change people need to dare to go new paths. A

company needs thus to find other methods of communication. That is the hard part” (Interviewee A5x). The majority of interviewees mentioned the following measures: *“to convince employees a bit more”* (e.g. Interviewee A5x) and *“to properly inform and train procurement staff and to take the ownership and responsibility for these topics”* (e.g. Interviewee A5x).

- Lack of financial and non-financial resources:

The majority of interviewees mentioned lack of resources as a major barrier to PSR implementation. None of the respondents mentioned a solution to this matter.

- Lack of willingness to financially invest in PSR:

A few interviewees (Interviewee A1x, Interviewee A4x, and Interviewee A5x) mentioned that in order to implement PSR, organizations need to adapt their structures and processes. In essence, PSR implementation and maintenance requires financial resources and as such interview partners reported that organizations are often not willing to invest in this concept, especially as PSR benefits are difficult to measure.

- Complexity of implementation:

Complexity of implementation was mentioned by several participants (Interviewee A1x, Interviewee A5x, Interviewee A6x, Interviewee A7x, and Interviewee A8x), however only one interviewee (Interviewee A1x) provided examples. First, the interviewee suggested that it is not easy to train suppliers on PSR and convince them to engage in this endeavor. Second, the decision on PSR scope and KPIs is quite difficult, as some aspects in the known standards and guides are perceived as not pragmatic or not suitable.

To conclude, Figure 47 provides an overview of the barriers to PSR implementation while Figure 48 depicts the measures to overcome these barriers that were mentioned in the pre-study.

| | | | | Pre-study |
|--|----------|------------------------------|--|-----------|
| Barriers | Internal | Motivation | Lack of top management motivation to implement this concept | (xx) |
| | | | Lack of middle management motivation to implement this concept | (x) |
| | | | Management's insufficient understanding of the importance and benefits / strategic relevance of this concept | xx |
| | | | General resistance to change the existing company culture and adapt this concept | xx |
| | | Financial considerations | Lack of financial resources / necessary funds to implement and to maintain operations | xx |
| | | | Lack of financial support by top management / missing willingness to invest in the concept | x |
| | | Non-financial considerations | Lack of required non-financial resources (e.g. human resources) to implement and operate this concept | xx |
| | | | Lack of support from purchasing department | (x) |
| | | | Uncertainty about organizational (IT / technological) capabilities | (x) |
| | | | Complexity of implementation | xx |
| | External | External requirements | Lack of (industry) regulations and laws on this concept | (xx) |
| | | | From consumers / customers | (xx) |
| | | | From NGOs | (x) |
| "xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees; " () " derived from answers on implementation drivers | | | | |

Figure 47: Pre-study results: PSR barriers

| Barriers | Pre-study | Measures | Pre-study |
|---|------------------|---|------------------|
| Management's insufficient understanding of the importance and benefits / strategic relevance of this concept | xx | Top management's initiative to achieve visibility and demonstrate support to pursue this topic | xx |
| General resistance to change the existing company culture and adapt this concept | xx | Convincing of employees; Information and training of procurement staff to take the ownership and responsibility for PSR | xx |
| "xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees; "()" derived from answers on implementation drivers | | | |

Figure 48: Pre-study results: PSR barriers and measures

○ **Current PSR status:**

The majority of interview partners view their organization as still being in the process of reaching a satisfactory and complete PSR implementation. The reasons for this are threefold: One interview partner (Interviewee A7x) described a satisfactory PSR implementation as a status in which purchasing employees consequently and naturally follow PSR requirements and continuously expand their know-how on measures and standards and thus enhance processes and procedures along with their knowledge increase. According to the interviewee only a few organizations have reached this status today. Two other interview partners (Interviewee A2x and Interviewee A6x) suggest that a full PSR implementation is reached

once PSR is implemented into the entire organization, meaning that all departments that are dependent on the purchasing department follow PSR measures and that specific rules are implemented throughout the organization where applicable. The two respondents do not view their employer as having linked PSR to other departments of the organization yet. A few other interview partners (Interviewee A1x and Interviewee A2x) suggest that external stakeholders drive PSR implementation. As such they believe that PSR implementation can only be fully reached once more laws and regulations are present.

- **PSR knowledge:**

There are several possibilities for organizations to gain or expand their knowledge on PSR. The great majority of interviewees agreed that one essential source are management consultants. The main benefit of using consultants, is that consultants have the necessary level of experience as they have

“worked for several different companies and hence have experience in such programs” (Interviewee A4x).

Other knowledge sources mentioned include own CSR or sustainability departments or industry networks where companies may not only exchange knowledge on PSR but develop or enhance their PSR tools, such as a unified code of conduct, audit measures and protocols, etc. The remaining sources were mentioned by the minority of interviewees: dialogue with suppliers, dialogue with CSR (audit) agencies, dialogue with stakeholders, existing standards, own research, benchmarks, business contacts who are also confronted with PSR, external training and events, universities conducting research in this area, as well as professional CSR associations.

- **PSR dimensions:**

All interviewees mentioned social criteria as being part of PSR. Furthermore, all but one interviewee (Interviewee A6x) mentioned environmental criteria, while emphasizing at the same time economic factors as an additional part of PSR. Within the people dimension, human rights were mentioned once (Interviewee A1x), adequate working conditions were named by three

respondents (Interviewee A1x, Interviewee A2x, and Interviewee A3x), assurance of health and safety, fire protection and avoidance of child labor were named by four interview partners (Interviewee A1x, Interviewee A2x, Interviewee A3x, and Interviewee A4x). Fair wages, the right to form unions and avoidance of forced workers were named by one respondent (Interviewee A1x). Within the environmental dimension only a few examples were provided. Two interviewees named assurance of no exposure to chemicals of humans and the environment as well as reduction of CO2 emissions (Interviewee A1x and Interviewee A3x). One respondent provided the example of water reduction (Interviewee A3x). The example of the economic dimension includes long-term and trustworthy collaboration with suppliers, going beyond controlling and monitoring supplier PSR compliance with the aim to continuously expand PSR activities and develop or enhance sustainable products. Furthermore, the aim is to demonstrate commitment and provide suppliers with long-term contracts so they do not hesitate investing in PSR.

- **Orientation framework for PSR scope clarification and scope emphasis:**

The majority of interviewees outlined that organizations put a specific emphasis on a particular PSR scope. In order to do so, organizations turn to internal and external sources. External sources comprise existing legal regulations, certifications, and (industry) (reporting) standards. This supports their scope clarification process as well as simplifies understanding formalities, structures and reporting standards. The standards mostly mentioned - in order of sequence - include the UN Global Compact, GRI Reporting Standard, ILO Conventions, BSCI, ISO14001, OECD Guidelines, Fairtrade, REACH, Fair Wear Foundation, Better Cotton Initiative, SMETA, EMAS and the Bluesign Standard. Other sources mentioned a few times include PSR benchmarks and industry networks.

Furthermore, the majority of interviewees reckoned that organizations consider internal sources, such as their own understanding of industry emphasis in deciding upon the PSR scope and focus. For example, four interviewees reported that they focus on the social dimension, because they

view other PSR dimensions as less relevant in their business sector (Interviewee A1x; Interviewee A3, Interviewee A6x, and Interviewee A7x). This focus on industry emphasis is triggered by the firm's observations of market and customer expectations and their underlying risk management. In other words, depending on market requirements, organizations delimitate their scope based on risk potential and focus on those PSR elements that have the largest and most possible negative risk potential on their reputation.

Other internal sources mentioned by the minority of respondents comprise system and process capacities and monitoring capabilities. The main question is how much information can be obtained and processed from suppliers while at the same time being efficient. Hence, PSR emphasis should be put on those aspects, from which information is easily obtainable and verifiable. Another interviewee also mentioned that PSR scope should be measurable and thus only reflect those criteria that are measurable, such as certificates (Interviewee A7x).

Another method brought up by a few interviewees deals with realistic subjective assumptions of what suppliers can achieve in regards to PSR (Interviewee A5x and Interviewee A2x). To provide an example, one interviewee described that even though diversity is a major topic of PSR, even MNCs in Germany do not manage to achieve diversity (Interviewee A2x). Thus they do not believe that suppliers can manage this issue either and instead put an emphasis on other PSR aspects where they assume that they can be realistically achieved, even though this may contrast existing PSR standards. Another interviewee emphasized that

"We clearly say 'yes, this is a noble objective', yet we are not doing it... it is thus an element in which we deviate from the standard. We explain why and that's it" (Interviewee A5x).

Other internal scope delimitation mentioned by a few interviewees focuses on the margin, meaning that PSR scope can only go as far as long as it does not negatively affect the firm's margin and retail price for consumers (Interviewee A5x, Interviewee A2x, and Interviewee A1x).

In general, scope delimitations were also reported to depend on regions of suppliers and their major concerns, as reported by the majority of interviewees. This means, that while there is a standard PSR scope, organizations also consider adaptations e.g. in case local laws or regulations do not reflect their requirements sufficiently. One interviewee mentioned that PSR scope emphasis is volatile, meaning that

“One year this is in focus and next year we have a different project. Then something else is in focus” (Interviewee A5x).

- **PSR strategy:**

While over 1/3 of interviewees (Interviewee A4x, Interviewee A1x, and Interviewee A3x) mentioned that they did not observe their employer or client formulate a PSR strategy or work towards a certain objective in PSR (e.g. as one interviewee mentioned, PSR is simply an extension of tasks in the purchasing department, but not a strategy (Interviewee A4x)), the rest confirmed that organizations have a PSR strategy in place, even though the depth of strategy may differ.

“It is clear that there are two, three examples in which one says that there is a clear strategy, that there is a clear approach. The majority of what I perceive, however, is ad hoc and rigid. One implements a few measures to make baby steps forward” (Interviewee A1x).

In fact, for some a PSR strategy is crucial.

“That naturally goes for textile companies, too, because it is so essential and critical for their business success that it becomes a show stopper. Clear audit regulations and categories of suppliers, that state who has to be audited and controlled how. Also in the food industry I would say, one has a good overview of things. Especially when raw materials and resources are hard to obtain” (Interviewee A1x).

The remaining interviewees confirmed that they have developed a PSR strategy and continuously adapt it as their PSR expertise - driven internally by those responsible for PSR and externally by the company's stakeholders - grows.

- **Integration of PSR strategy and objectives:**

The minority of participants mentioned that an essential step in deciding upon the right PSR approach was to assess what the company brand should represent and align the PSR scope, measures and objectives in accordance with general strategic business parameters as well as with the overall CSR / sustainability goals as this signals the importance of the topic. In fact, one interviewee pointed out, that organizations usually do not implement PSR when there is no greater sustainability or CSR strategy in place (Interviewee A1x).

- **Business case:**

While two respondents (Interviewee A1x, Interviewee A6x) pointed out that their employers or MNCs they consulted did not calculate a business case due to the difficulty to estimate the benefits or drawbacks of PSR, other two respondents (Interviewee A2x, Interviewee A4x) confirmed that such considerations were taken.

“But of course you need to have the cost and benefit calculation in mind. What is the benefit of the 1000th audit of a supplier I trade with every three years for a small transaction” (Interviewee A2x).

“A business case simply means putting into consideration if it makes sense to dedicate myself to the topic and what the effect might be. That we have done” (Interviewee A4x).

However, it was not answered how a cost-benefit-analysis was conducted. As the majority of respondents reported that it is difficult to calculate the benefits of PSR, they focused on cost aspects when explaining the PSR business case. In other words they reported that firms need a certain budget to implement PSR and thus described the cost side of the business case. According to the majority of interviewees PSR costs comprise financial, human and technical expenses, such as expenses regarding monitoring systems and risk analysis tools, audits, consultants, as well as fees to access databases to obtain supplier information.

- **PSR reach:**

While the majority of respondents confirmed that the ultimate goal is to implement PSR in its entire scope in the upstream supply chain, a few respondents follow the objective to ensure compliance for basic PSR requirements for all suppliers and advanced PSR requirements for specific groups of suppliers (Interviewee A2x, Interviewee A5x, and Interviewee A7x).

Consequently, all but one interviewee (Interviewee A6x) reported that currently they do not treat all suppliers equally regarding PSR measures. Three respondents explained that while basic PSR requirements (e.g. acknowledgment of the code of conduct) apply to all suppliers, more advanced PSR requirements apply to specific suppliers only (Interviewee A2x, Interviewee A5x, Interviewee A7x). The other three respondents reported that currently they only focus on particular supplier categories, for which PSR is mandatory in its entire scope (Interviewee A3x, Interviewee A6x, and Interviewee A1x). Suppliers are thus clustered in both settings - suppliers for which advanced PSR requirements apply (e.g. such as collaboration to continuously improve PSR measures and outcomes such as sustainable products) and groups of suppliers for which PSR applies completely. Reported reasons for focusing on specific supplier categories comprise a cost-benefit-orientation, meaning that it would cost too much to implement PSR and verify PSR adherence of all suppliers, as well as a too high complexity due to large and volatile supply chains. In these two scenarios organizations categorize suppliers primarily according to the following attributes: by tier level, by length and intensity of supplier relationship, by suppliers with the largest purchasing volume, by suppliers with a strategic importance, by risk assumptions, by product groups as well as by supplier market positioning.

The majority of interviewees reported that they only require their direct / tier 1 suppliers to follow (advanced) PSR requirements. The reason provided is that legally focal firms have only contracts with their direct suppliers.

“The process states that those in tier 1, executing the last step of the chain, are accountable for tracing that everyone else took care of it as well” (Interviewee A6x).

“What has been agreed with the tier 1 supplier is usually that they pass on the agreements to their suppliers” (Interviewee A1x).

Two interviewees (Interviewee A7x and Interviewee A4x) explained that they focus on those suppliers with the longest and strongest relationship, as

“They can achieve bigger and better results with those suppliers they have a strong and intense exchange with” (Interviewee A2x).

Other two interviewees pointed out that they focus on suppliers with high purchasing volumes (Interviewee A2x and Interviewee A3x). Suppliers with a little purchasing volume often change and thus the effort to verify their PSR compliance is too high. Accordingly, three interviewees reckoned that (advanced) PSR requirements apply to key suppliers only, as they are crucial to develop the specific ultimate product (Interviewee A2x, Interviewee A5x, and Interviewee A7x). Another interviewee explained the focus on those suppliers with the highest risk potential.

“I honestly don’t care if it is a supplier covering 0.001 percent of my procurement. If it is situated in China and delivers something from a region known for human rights violations I will take a good look at it because of my reputation and associated risks” (Interviewee A1x).

While the example of categorization of suppliers by product was not further explained, one interviewee emphasized the focus on suppliers by their market positioning.

“We concentrate on those not yet supplying large companies, because if they do, they already have very good standards. We then concentrate on those who still have room for improvement” (Interviewee A7x).

- **Those responsible for PSR:**

Almost half of the respondents mentioned that the implementation of PSR is a company-wide challenge (Interviewee A1x, Interviewee A2x, and Interviewee A5x). Thus, those responsible for PSR implementation usually stem from multiple disciplines such as top management, CSR department, purchasing department, strategy / business development department, who together formulate the PSR approach and build a project team required for the implementation. In addition to this, a few respondents mentioned that in order to maintain PSR, a central CSR or PSR team is required, again in form of an interdisciplinary team (Interviewee A3x, Interviewee A5x). This ensures that PSR is not only integrated in purchasing but also throughout the entire product lifecycle. One interviewee pointed out that this team should follow PSR and their departmental objectives at the same time, leading to a stronger awareness and responsibility for PSR (Interviewee A5x).

A central CSR team was also mentioned by another interviewee (Interviewee A6x), though without the interdisciplinary aspect. Here, the interviewee pointed out that a CSR team was established, separated from the purchasing department. The central team was installed to ensure that the purchasing personnel does not experience an ongoing target conflict balancing PSR and commercial criteria. Furthermore, the underlying assumption was that the purchasing team has already a high workload regarding their daily business and should not be burdened with additional tasks that require specific know-how. Hence, the following process was created: once a purchaser wanted to sign a contract with a supplier, he or she first had to ask the central CSR team for their approval which they decided upon after reviewing the supplier's PSR information.

In contrast, one interviewee pointed out that when purchasing staff is required to follow guidance of another team, often conflicts arise in this scenario, because a separate team has the ultimate power over purchasing decisions (Interviewee A1x). Purchasers might thus feel disappointed when they cannot meet their purchasing targets due to PSR requirements by another department.

The other half of respondents reported that PSR was integrated into the existing purchasing department. No separate team was created (Interviewee A1x, Interviewee A2x, and Interviewee A7x). One interviewee (Interviewee A2x) explained this further by emphasizing that PSR should be integrated in that department that is directly accountable for PSR success. And purchasing personnel are the ones who are in contact with suppliers, meaning that they need to have the knowledge, expertise and executive power to transform their supplier's business.

Overall, a few interviewees mentioned that there usually is a head of CSR or PSR, which is a direct report to the management board. The interdisciplinary PSR team however usually reports to their individual department head (Interviewee A6x and Interviewee A5x).

- **Preparation of purchasing staff:**

The majority of interviewees reported that their employers or firms they have worked for organize training for their purchasing staff to raise awareness and provide the necessary know-how on PSR. Two interviewees mentioned that this task is conducted by the CSR department (Interviewee A3x and Interviewee A1x).

- **PSR implementation steps:**

The majority of interviewees mentioned that once the decision is made to implement PSR, and PSR knowledge and resources are sufficient, as a first step organizations clarify their PSR scope and reach as well as designate and prepare those responsible for PSR implementation and maintenance (as explained in the previous paragraphs). Secondly, the majority of interviewees pointed out that organizations then usually try to achieve transparency over their upstream supply chain for which they often extend their IT tools and systems. The suggested method is to collect and record basic supplier data along the products and raw materials purchased to achieve an overview of the entire supplier base. As a third step, all respondents agree that organizations need to formulate their requirements / KPIs for suppliers (and eventually zero-tolerance criteria, that hinder or end contracts with suppliers), which are usually derived from PSR scope and are

attached to the existing classic commercial KPIs. While the KPIs were not further specified, a few interviewees mentioned that often specific certificates are requested (Interviewee A1x, Interviewee A2x, and Interviewee A5x), such as ISO14000 (Interviewee A4x and Interviewee A5x). Afterwards these KPIs and requirements are typically included in the code of conduct. Furthermore, as a next step companies decide upon PSR measuring instruments, e.g. the frequency and type of audits (announced / unannounced, internal / external / group audits). Once this is finalized, suppliers are usually informed of the upcoming PSR expectations and prepared for the rollout wherever necessary. As a penultimate step several interviewees (Interviewee A2x, Interviewee A3x, and Interviewee A7x) mentioned that they conduct audits for (specific groups of) suppliers to determine the PSR status quo and compare and document the gap between the current and desired status to go from there with a gradual PSR rollout until reaching a full PSR implementation - being the last step.

- **Organizational changes required for PSR:**

Next to the setup of a PSR / CSR team or the integration of PSR into the purchasing department, a few interviewees reported that they also changed their processes and structures (Interviewee A1x, Interviewee A2x and Interviewee A5x). Process changes involve adaptations in gathering and evaluating supplier information, changes in the merchandise management system and the integration of new processes regarding supplier selection and compliance. In terms of organizational structure, one interviewee summarized the information provided from other respondents:

“We changed structures, changed responsibilities, changed processes. We built, as far as I know, stage gates. We developed an internal and external reporting. We changed our entire marketing communication” (Interviewee A5x).

- **Integration of PSR objectives into purchasing staff’s individual goals:**

All interviewees agreed that their employers or organizations they consult have either already included PSR objectives into purchasing staff’s individual objectives or that they plan to do so. At the same time almost half

of the respondents reported that currently according to their observations only a few organizations have mastered the integration of PSR goals into purchasing staff goals (Interviewee A2x, Interviewee A3x, and Interviewee A6x). The reward of achieving PSR objectives is usually based upon a (existing) bonus system. Two interviewees acknowledged however that this is a very challenging task (Interviewee A2x and Interviewee A6x). The reason lies in the difficulty to actually measure PSR efforts and develop a bonus system for fulfilling PSR objectives along with purchasing objectives. As one interviewee pointed out, the integration of PSR objectives into objectives of purchasing staff is

“where the magic happens” (Interviewee A2x).

The benefit from such a method is that organizations motivate employees to follow PSR requirements and foster PSR progress by giving them a financial incentive to balance pricing and PSR aspects.

While all respondents agreed on the necessity to develop such a system, only one interviewee (Interviewee A1x) provided a thorough explanation on how this is conducted in practice. In this firm, prior to PSR implementation, purchasing staff was - as in many other organizations - evaluated by cost reductions and margin, meaning that the price of the purchased product was the key evaluation KPI. Consequently, this firm transformed the product price and developed a system of artificial product charges depending on the PSR level of the supplier on top of the regular price.

“Well, imagine that, I don’t know, I buy a kilo of cocoa at one or the other supplier, both offering it for five Euros. And in the end of the day I only pay five Euros. But the decision is based upon the price. This logic is followed during the entire procurement process. Now, some companies start experimenting and say that those companies with lower CSR performance receive a virtual five, ten or maybe just one cent extra charge on top of their price. At the end of the day, however, I do not pay the extra charge, but it plays a part in the decision-making process. This way it becomes easier for the procurement colleagues” (Interviewee A1x).

- **Verification of PSR status of potential and existing suppliers:**

The majority of interviewees reported that currently their primary measure to achieve supplier compliance with PSR is conducted through supplier monitoring and controls followed by sanctions in case of non-compliance. At the same time, a few interviewees (Interviewee A3x and Interviewee A5x) emphasized that they are currently working on changing the current mode of operation towards less control and more collaboration. The aim is to train suppliers and enable them to alter their structures and processes according to the PSR requirements of focal firms.

In general, the majority of interviewees responded that as a first step, organizations typically gather self-assessments on PSR from suppliers and require them to sign their code of conduct on PSR.

“If you want to apply at a company as a supplier for a specific product or semi-product you need to fill out a questionnaire where you are asked about your board of directors, in which country you are listed, what your tax ID is, but also about other criteria such as environment management systems etc. Of course this cannot be checked, but it is primarily a self-assessment, with which, I would say, 80-90% of companies work with” (Interviewee A1x).

“Overall, these self-assessments are the very first step but cannot secure a clean supply chain” (Interviewee A4x).

Thus, as the majority of interviewees reported, focal companies use various methods to verify whether existing or potential suppliers comply with PSR requirements and whether the information provided in the self-assessments are true.

All respondents reported that their employers or organizations they consult rely on frequent supplier audits, which are either announced or unannounced. External or group audits were mentioned as often as own audits. An additional measure, which was described by the majority of interviewees, is the verification of standard certificates.

“Large automobile companies want written proof. If one says, okay, UN Global Compact, then they want to see it. If one says ISO 14000 then he needs to include written proof in his correspondence. Others have said, okay

if he has one of those things then tell him to send it to us in paper form”
(Interviewee A3x).

Furthermore, multiple interviewees (Interviewee A1x, Interviewee A3x, Interviewee A4x, Interviewee A6x, and Interviewee A7x) reported that they rely on those suppliers who were already confirmed as PSR compliant by certain associations, rating agencies or databases such as BSCI, EcoVadis, Sedex or Bluesign. Interviewees pointed out that this method is less costly than audits and thus used whenever possible. Another less costly alternative is the acceptance of audits reports conducted or verified by competitors.

“What starts to show more often is that one accepts that company abc works with a supplier that can prove that company abc was audited successfully”
(Interviewee A1x).

- **Approach to handling supplier non-compliance:**

While a few respondents (Interviewee A4x and Interviewee A6x) pointed out, that suppliers are not taken on that do not comply with PSR standards prior to the contract, the other interviewees reported that in case potential suppliers do not meet the necessary standards, they are provided with (on-site) training, advice and information to achieve the desired status. However, one exception mentioned by the majority of interviewees are zero-tolerance criteria - criteria that so strongly contradict PSR elements that a contract and support are ruled out.

In general, with the exception of zero-tolerance criteria, which usually lead to an end of the contract for existing suppliers, once existing suppliers do not meet PSR requirements at a certain point in time, the majority of respondents reported that organizations offer these suppliers support to reach the desired PSR level. They reported to have an escalation process in place which typically begins with the realization of the focal firm, e.g. during or after an audit, that a particular supplier does not meet the required PSR standards. In that case, while the majority of interviewees reported that the contract with this supplier is being paused until the desired status is reached again, one interviewee reported that his employer still places orders with this supplier, to support him financially during the time of corrective measures

(Interviewee A6x). Corrective measures are thus the second step of the escalation process. All respondents agree to have corrective measures in place that typically describe the required tasks and time frame to reach the desired PSR level again. While the minority of interviewees pointed out that they leave it to the suppliers to conduct the corrective measures, the majority reported that they support suppliers in the implementation of corrective measures. This support typically comprises discussions and knowledge sharing, (on-site) training and coaching. Once the deadline for corrective measures is reached and the supplier still has not met PSR requirements, all respondents agree on ending the contract.

- **Approach to PSR non-compliance regarding suppliers over which focal firms have a low bargaining power:**

All interviewees responded that suppliers over which they have a low bargaining power are treated the same regarding PSR non-compliance as companies over which they have a high bargaining power.

- **PSR rollout: preparation of suppliers:**

The majority of respondents explained that their employers or organizations they consult prepared their suppliers for the PSR implementation. The preparation typically began with explanations of the PSR background, reasons, scope and expectations, followed by a provision of the code of conduct, restricted substance lists, as well as (on-site) training or local seminars e.g. offered through CSR associations such as BSCI. As a next step suppliers were informed about first expected objectives in given timeframes. In general, one interviewee summarized this approach as follows

“and then step by step it came all together. It is not like pushing a button or writing a letter to everyone saying that we are all sustainable now and starting tomorrow you have to do this and that. That is not how it works”
(Interviewee A5x).

- **PSR rollout sequence:**

The majority of respondents pointed out that the PSR rollout was not conducted simultaneously for all suppliers. Instead it was either clustered by specific regions, products, revenue / purchasing volumes, by the ease of implementation or by PSR control measures. The reported PSR control measures, as explained by the minority of interviewees, comprise a gradual extension of PSR control, typically starting with the gathering of supplier self-assessment, moving on to ad hoc unstructured audits, to structured audits, and further activities, such as collaboration, training etc. The benefit of an uneven rollout, as mentioned by one interviewee, is a rising learning curve on how to best rollout PSR (Interviewee A1x).

- **Further buyer-supplier activities:**

While a few interviewees reported that their employers or organizations they consult support suppliers indirectly through training and initiatives conducted by professional CSR associations (Interviewee A3x and Interviewee A5x), the majority of interviewees mentioned a direct support. The described measures comprise collaboration through ongoing communication, training, on-site support, and enhancement of sustainable products. The ultimate objective is to enable suppliers to manage their PSR progress independently. For this, as a few interviewees (Interviewee A3x and Interviewee A5x) emphasized, focal firms help suppliers through regular to develop management systems and (reporting) structures, so that they

“know themselves what to do and what to pay attention to. In the long run it must be the objective of all companies to rise to a new level” (Interviewee A5x).

- **Tracking of PSR progress:**

The majority of interviewees reported that their organizations monitor and track their PSR progress. The examples on how PSR progress is tracked comprise four measures:

- **On the product level:** share of products with a sustainable sourcing label such as BSCI or Fairtrade (Interviewee A6x)

- **On the standards level:** number of implemented standards in the supply chain (Interviewee A6x)
- **On the supplier level:** number of suppliers that adhere to PSR requirements, e.g. according to audits (mentioned by three interviewees); average PSR level of suppliers, e.g. some suppliers fulfill PSR requirements to a 100%, others to 70%, etc. (Interviewee A1x, Interviewee A2x, Interviewee A3x, and Interviewee A6x)
- **On the strategic level:** target achievement per PSR KPI, e.g. number of PSR audits in a certain amount of time, reduction of CO2 in upstream supply chain, etc. (Interviewee A1x, Interviewee A2x, Interviewee A3x, Interviewee A5x, and Interviewee A6x)

While one interviewee emphasized that the premise for tracking PSR progress is an existing PSR strategy (Interviewee A1x), other two interviewees mentioned external reporting as a premise (Interviewee A5x and Interviewee A6x). They pointed out that in order to fill out an external report such as GRI, PSR progress needs to be tracked.

- **Communication of PSR progress and activities:**

The majority of interviewees reported that organizations communicate their PSR progress and activities both firm-internally and firm-externally. External communication is usually integrated into the annual report or the CSR / sustainability report, such as GRI4.

- **Continuous improvement process:**

The majority of participants reported that their employers or organizations they consult have implemented a continuous PSR improvement process. However, the measures reported are quite different. For example, in one organization the continuous improvement process is based upon the extension of PSR KPIs per product, assuming that PSR measures have room for improvement per product. The organization evaluates each product on its PSR background and regularly sets the bar higher. Another example concentrates on a continuous PSR knowledge and information exchange

with competitors with the objective to enhance PSR by finding further solutions for mutual problems. Others provided the example based on monitoring of PSR goal achievement (Interviewee A1x, Interviewee A2x, Interviewee A3x, Interviewee A5x, and Interviewee A6x). Here companies regularly formulate PSR goals to be reached in a specific time frame and review the goal achievement on a regular basis. The last example provided by two interviewees (Interviewee A5x and Interviewee A6x) highlights the importance of external auditors, who are not only hired to review suppliers but to regularly review the focal company on their PSR achievements and suggest adjustments or additions.

- **PSR vision:**

In general the majority of interview partners agree that PSR has become vital and is going to increase further along with the stakeholder demand to create full transparency on where products come from. However, one interview partner pointed out that it is necessary to make it visible to the stakeholders how complex this topic and its implementation is (Interviewee A1x). Along with this argument, the interviewee further emphasized that in order to fully implement PSR, companies are required to financially invest in PSR and these costs of implementing and maintaining PSR need to be transferred to the end customer. In his point of view only then PSR will be truly accepted and largely implemented, as businesses have the sole purpose to maximize the shareholder value and thus need to ensure a solid margin. However, at the same time another interview partner pointed out that:

“It is not at all a contradiction that one can perform excellently and act sustainably or in accordance with PSR at the same time. The belief that one can only be successful as a company when acting inconsiderate is mischief” (Interviewee A5x).

Another aspect the majority of interview partners hope for is that in the future companies industry-wide will work closely together on PSR as this is believed to be a mutual process. Companies should together pursue the development of more precise standards, decide how and which standards

should be applied, decide upon controlling and monitoring mechanisms as well as foster group audits.

“I think that the future lies in finding common solutions rather than individual ones” (Interviewee A3x).

- **PSR consequences:**

Two interviewees (Interviewee A5x and Interviewee A1x) emphasized that next to the positive idea of PSR, the implementation also bears negative consequences: costs cannot be transferred to the customer and as such the organization suffers from lower margins due to financial investments in PSR. These costs include higher prices for raw materials, certifications, empowerment of suppliers in form of training, etc. as well as various speeches on this topic in diverse round tables (with stakeholders, industry networks etc.). The reason for not being able to transfer these costs to the customer lie in the fact that consumers are not willing to pay more for sustainable products, despite the fact that the number of these consumers is slightly increasing. Other interview partners did not address this issue.

- **Feedback on the interview:**

All interview partners were very satisfied with the interview style and logical sequence. One person (Interviewee A3x) praised the future perspective of questions. Questions were clear, easy to follow and as mentioned twice, not unexpected. Furthermore, the majority of interview partners agreed that with the interview questions the topic was sufficiently discussed. Thus, no additional questions for the main study were recommended.

The following figures show a summary of the pre-study results.

| | Pre-study statement |
|---|---|
| PSR beginnings | <p>While PSR has been discussed for a much longer period of time, prior to the actual implementation, the majority of companies within the consumer goods industry began implementing PSR between 2009 and 2014.</p> <p>The PSR implementation date depends on the industry. The consumer goods industry and especially the apparel sector begun earlier with implementing PSR than others.</p> <p>PSR implementation is mainly an issue of MNCs.</p> |
| External requirements and drivers for PSR implementation | Growing social attention / stakeholder demand for this topic; external pressures from customers; external pressures from NGOs; external regulatory pressures. |
| Internal requirements and drivers for PSR implementation | Top management support and personal commitment; response to CSR department request; response to employee request; founding purpose and time; middle management support; support of purchasing department; sufficient financial, human, and technical resources; technical capabilities; willingness to invest in PSR; economic self-interest: avoidance / risk reduction of reputational damage from PSR scandals, security of continuous availability of products and raw materials, better access to capital / access to investors. |
| Barriers to PSR implementation and corresponding measures | Lack of understanding of PSR importance (measure: top management's initiative to achieve visibility and demonstrate support to pursue this topic); resistance to change the current mode of operation (measure: extensive communication and training of employees); lack of resources (measure: not provided); lack of willingness to financially invest in PSR (measure: not provided); complexity of implementation (measure: not provided). |
| Current PSR status | Organizations are still being in the process of reaching a satisfactory and complete PSR implementation. |
| PSR knowledge | Management consultants; own CSR or sustainability departments; industry networks; dialog with suppliers; dialog with stakeholders; dialog with CSR (audit) agencies; existing standards; own research; benchmarks; business contacts who are also confronted with PSR; external trainings and events; universities conducting research in this area; professional CSR associations. |
| PSR dimensions | Social, environmental, and economic dimension, acknowledging that the economic dimensions was mentioned seldom compared to the other two. |
| Orientation framework for PSR scope clarification and scope emphasis | <p>Organizations put a specific emphasis on a particular PSR scope. In order to do so, organizations turn to internal and external sources.</p> <p>External sources comprise existing legal regulations, certifications, and (industry) (reporting) standards, PSR benchmarks and industry networks.</p> <p>Internal sources comprise a company's own understanding of industry emphasis in deciding upon the PSR scope and focus, system and process capacities and monitoring capabilities. Moreover, PSR scope should comprise those criteria that are measurable, such as certificates. Realistic subjective assumptions of what suppliers can achieve - also depending on regions of suppliers and their major concerns - in regards to PSR are also often considered. The last scope delimitation outlines that the PSR scope can only go as far as long as it does not negatively affect the firm's margin and retail price for consumers.</p> |
| PSR strategy | Leading PSR organizations have a PSR strategy in place, even though the depth of strategy may differ. In general, the PSR strategy needs to be continuously adapted as PSR expertise – driven internally by those responsible for PSR and externally by the company's stakeholders – grows. |
| Integration of PSR strategy and objectives | An essential step in deciding upon the right PSR approach is to determine what the company brand should represent and align the PSR scope, measures and objectives in accordance with general strategic business parameters as well as with the overall CSR / sustainability goals as this signals the importance of the topic. |

Figure 49: Pre-study results (part 1)

| | Pre-study statement |
|--|---|
| Business case | A few respondents calculated a PSR business case: however, most focused solely on the cost-side of the business case, as benefits are difficult to measure. |
| PSR reach | While the majority of respondents confirmed that the ultimate goal is to implement PSR in its entire scope in the upstream supply chain, a few respondents follow the objective to ensure compliance for basic PSR requirements for all suppliers and advanced PSR requirements for specific groups of suppliers. The majority of interviewees reported that they only require their direct / tier 1 suppliers to follow (advanced) PSR requirements who are then requested to pass on the PSR requirements to their suppliers. The reason provided is that legally focal firms have only contracts with their direct suppliers. Besides the tier grouping, suppliers may also be categorized according to the following attributes: by suppliers with the largest purchasing volume, by risk assumptions, by product groups, by supplier market positioning, by length and intensity of supplier relationship or by suppliers with a strategic importance. |
| Those responsible for PSR | <p>Almost half of the respondents mentioned that the implementation of PSR is a company-wide challenge. Thus, those responsible for PSR implementation usually stem from multiple disciplines such as top management, CSR department, purchasing department, strategy / business development department, who together formulate the PSR approach and build a project team required for the implementation. In addition to this, a few respondents mentioned that in order to maintain PSR, a central CSR or PSR team is required, again in form of an interdisciplinary team. This ensures that PSR is not only integrated in purchasing but also throughout the entire product lifecycle. One interviewee pointed out that this team should follow PSR and their departmental objectives at the same time, leading to a stronger awareness and responsibility for PSR. The other half of respondents reported that PSR was integrated into the existing purchasing department. No separate team was created.</p> <p>Usually there is a head of CSR or PSR, which is a direct report to the management board. The interdisciplinary PSR team however usually reports to their individual department head.</p> |
| Preparation of purchasing staff | The majority of interviewees reported that their employers or firms they have worked for organize trainings for their purchasing staff to raise awareness and provide the necessary know-how on PSR. Two interviewees mentioned that this task is conducted by the CSR department. |
| PSR implementation steps | <ol style="list-style-type: none"> 1. step: organizations clarify their PSR scope and reach as well as designate and prepare those responsible for PSR implementation and maintenance 2. step: organizations try to achieve transparency over their upstream supply chain for which they often extend their IT tools and systems 3. step: organizations determine their requirements / KPIs for suppliers (and eventually zero tolerance criteria, that hinder or end contracts with suppliers), which are usually derived from PSR scope and are attached to the existing classic commercial KPIs 4. step: KPIs and requirements are typically included in the code of conduct 5. step: PSR measuring instruments are determined, e.g. the frequency and type of audits 6. step: suppliers are informed of the upcoming PSR expectations and prepared for the rollout wherever necessary 7. step: supplier audits for (specific groups of) are conducted to determine the PSR status quo and compare and document the gap between the current and desired status 8. step: a gradual PSR rollout is conducted |
| Organizational changes required for PSR | Process changes involve adaptations in gathering and evaluating supplier information, changes in the merchandise management system and the integration of new processes regarding supplier selection and compliance. |

Figure 50: Pre-study results (part 2)

| | Pre-study statement |
|--|--|
| Integration of PSR objectives into purchasing staff's individual goals | All interviewees agreed that their employers or organizations they consult have either already included PSR objectives into purchasing staff's individual objectives or that they plan to do so. The reward of achieving PSR objectives is usually based upon a (existing) bonus system. |
| Verification of PSR status of potential and existing suppliers | <p>The majority of interviewees reported that currently their primary measure to achieve supplier compliance with PSR is conducted through supplier monitoring and controls followed by sanctions in case of non-compliance. At the same time, a few interviewees (Interviewee A3x and Interviewee A5x) emphasized that they are currently working on changing the current mode of operation towards less control and more collaboration. The aim is to train suppliers and enable them to alter their structures and processes according to the PSR requirements of focal firms.</p> <p>In general, the majority of interviewees responded that as a first step, organizations typically gather self-assessments on PSR from suppliers and require them to sign their code of conduct on PSR. Afterwards, focal companies use various methods to verify whether existing or potential suppliers comply with PSR requirements and whether the information provided in the self-assessments are true. All respondents reported that their employers or organizations they consult rely on frequent supplier audits, which are either announced or unannounced. External or group audits were mentioned as often as own audits. An additional measure, which was described by the majority of interviewees, is the verification of standard certificates. Furthermore, multiple interviewees reported that they rely on those suppliers who were already confirmed as PSR compliant by certain associations, rating agencies or databases such as BSCI, EcoVadis, Sedex or Bluesign. Interviewees pointed out that this method is less costly than audits and thus used whenever possible. Another less costly alternative is the acceptance of audits reports conducted or verified by competitors.</p> |
| Approach to handling supplier non-compliance | <p>While a few respondents pointed out, that suppliers are not taken on that do not comply with PSR standards prior to the contract, the other interviewees reported that in case potential suppliers do not meet the necessary standards, they are provided with (on-site) trainings, advice and information to achieve the desired status. However, one exception mentioned by the majority of interviewees are zero-tolerance criteria – criteria that so strongly contradict PSR elements that a contract and support are ruled out.</p> <p>In general, with the exception of zero-tolerance criteria, which usually lead to an end of the contract for existing suppliers, once existing suppliers do not meet PSR requirements at a certain point in time, the majority of respondents reported that organizations offer these suppliers support to reach the desired PSR level.</p> <p>All respondents agree to have corrective measures in place that typically describe the required tasks and time frame to reach the desired PSR level again. While the minority of interviewees pointed out that they leave it to the suppliers to conduct the corrective measures, the majority reported that they support suppliers in the implementation of corrective measures. This support typically comprises discussions and knowledge sharing, (on-site) trainings and coaching. Once the deadline for corrective measures is reached and the supplier still has not met PSR requirements, all respondents agree on ending the contract.</p> |
| Approach to PSR non-compliance regarding suppliers over which focal firms have a low bargaining power | All interviewees responded that suppliers over which they have a low bargaining power are treated the same regarding PSR non-compliance as companies over which they have a high bargaining power. |
| PSR rollout: preparation of suppliers | The majority of respondents explained that their employers or organizations they consult prepared their suppliers for the PSR implementation. The preparation typically begun with explanations of the PSR background, reasons, scope and expectations, followed by a provision of the code of conduct, restricted substance lists, as well as (on-site) trainings or local seminars e.g. offered through CSR associations. As a next step suppliers were informed about first expected objectives in given timeframes. |

Figure 51: Pre-study results (part 3)

| | Pre-study statement |
|---|--|
| PSR rollout sequence | The majority of respondents pointed out that the PSR rollout was not conducted simultaneously for all suppliers. Instead it was either clustered by specific regions, products, revenue / purchasing volumes, by the ease of implementation or by PSR control measures. The benefit of an uneven rollout, as mentioned by one interviewee, is a rising learning curve how to best rollout PSR. |
| Further buyer-supplier activities | The majority of interviewees described the following further buyer-supplier activities: collaboration through ongoing communication, trainings, on-site support, and enhancement of sustainable products. The ultimate objective is to enable suppliers to manage their PSR progress independently. |
| Tracking of PSR progress | The majority of interviewees reported that their organizations monitor and track their PSR progress. The examples on how PSR progress is tracked comprise four measures: <ul style="list-style-type: none"> - On the product level: share of products with a sustainable sourcing label - On the standards level: number of implemented standards in the supply chain - On the supplier level: number of suppliers that adhere to PSR requirements, e.g. according to audits; average PSR level of suppliers, e.g. some suppliers fulfill PSR requirements to a 100%, others to 70%, etc. - On the strategic level: target achievement per PSR KPI, e.g. number of PSR audits in a certain amount of time, reduction of CO2 in upstream supply chain, etc. |
| Communication of PSR progress and activities | The majority of interviewees reported that organizations communicate their PSR progress and activities both firm-internally and firm-externally. External communication is usually integrated into the annual report or the CSR / sustainability report, such as GRI4. |
| Continuous improvement process | The majority of participants reported that their employers or organizations they consult have implemented a continuous PSR improvement process. However, the measures reported are quite different. For example, in one organization the continuous improvement process is based upon the extension of PSR KPIs per product, assuming that PSR measures have room for improvement per product. The organization evaluates each product on its PSR background and regularly sets the bar higher. Another example concentrates on a continuous PSR knowledge and information exchange with competitors with the objective to enhance PSR by finding further solutions for mutual problems. Others provided the example based on monitoring of PSR goal achievement. Here companies regularly formulate PSR goals to be reached in a specific time frame and review the goal achievement on a regular basis. The last example provided by two interviewees highlights the importance of external auditors, who are not only hired to review suppliers but to regularly review the focal company on their PSR achievements and suggest adjustments or additions. |
| PSR vision | In general the majority of interview partners agree that PSR has become vital and is going to increase further along with the stakeholder demand to create full transparency on where products come from. Another aspect the majority of interview partners hope for is that in the future companies industry-wide will work closely together on PSR as this is believed to be a mutual process. The last aspect concerns the belief that the costs of implementing and maintaining PSR need to be transferred to the end customer. |
| PSR consequences | Two interviewees emphasized that next to the positive idea of PSR, the implementation also bears negative consequences: costs cannot be transferred to the customer and as such the organization suffers from lower margins due to financial investments in PSR. These costs include higher prices for raw materials, certifications, empowerment of suppliers in form of trainings, etc. as well as various speeches on this topic in diverse round tables (with stakeholders, industry networks etc.). |

Figure 52: Pre-study results (part 4)

6.2 Main study results

The structure of this chapter is leaned upon the chapter on pre-study results.

Please note: “Her/his/their firm/company/organization” refer to the employer of the participant. The pronoun “he/his/him” is used as gender-neutral and may also apply to female interviewees.

- **PSR beginnings:**

All but one interviewee (Interviewee A08y) agreed that their employers began implementing PSR between 2006 and 2013. This supports the results from the pre-study, in which the majority of respondents reported that PSR was implemented in a similar timeframe, between 2009 and 2014. Also, the interviewees confirmed the responses provided in the pre-study, stating that in general the topic of PSR has been discussed for a much longer period of time, many years prior to the actual PSR implementation.

- **Drivers of PSR implementation:**

Similar to the pre-study, the majority of respondents reported that for them the drivers of PSR implementation equal the requirements to implementation. Again, both external and internal drivers / requirements for PSR implementation were reported.

- **External requirements and drivers:**

- External social awareness / market and stakeholder expectations:

The responses of the main study participants correspond to those of the pre-study. All interviewees mentioned market and stakeholder expectations as a key driver of PSR implementation. The incident of Rana Plaza (Werner et al., 2014) was also brought up a few times as a trigger for the increasing external social awareness (Interviewee A12y, Interviewee A13y, and Interviewee A15y).

- External pressures from customers:

This driver was also confirmed by the majority of respondents, corresponding to the pre-study results. Here it was clearly stated that the origin of the products is a present debate in the market and customers expect PSR-compliant behavior from focal companies.

- External regulatory pressures:

While in contrast to the pre-study external pressures from NGOs were not mentioned in the main study, external regulations were reported by the majority of the interviewees, supporting the results of the pre-study.

- Supplier awareness:

While in contrast to the pre-study this aspect was not mentioned, in the main study almost half of the respondents reported that due to external market awareness, more and more focal companies require suppliers to follow PSR standards and therefore suppliers often proactively address PSR requirements when conducting business with other focal firms (Interviewee A09y, Interviewee A10y, and Interviewee A13y).

- Transparency of upstream supply chain conditions:

This is again another aspect that was not mentioned as a driver or requirement of PSR implementation in the pre-study. In the main study almost half of the respondents described that transparency of upstream supply chain conditions were both a driver and a requirement for PSR implementation (Interviewee A08y, Interviewee A10y, and Interviewee A15y). According to the respondents, without such a transparency, supplier PSR conditions cannot be systemically implemented nor verified as it is not clear how the upstream supply chain looks like, who the players are etc. One respondent concluded symbolically for this topic that

“Nowadays there is an interplay between commitment and transparency, meaning that transparency inspires commitment while at the same time being the basis for it” (Interviewee A15y).

- **Internal requirements and drivers:**

- Top management support and personal commitment:

While in the pre-study the majority of interviewees emphasized that the key to implementing PSR lies in top management support, in the main study all interviewees confirmed this statement. Also, 25% of main study interviewees (Interviewee A10y, Interviewee A11y) confirmed the pre-study responses that PSR needs to be implemented top-down instead of bottom up, reinforcing why top management support is crucial. One interviewee emphasized that

“Top management support is crucial because PSR activities are always linked with investments that require a green light from management in order to proceed” (Interviewee A13y).

- Response to employee request:

While the response to the CSR department request was not mentioned as a driver in the main study, similar to the pre-study two interviewees pointed out that employee requests are often a driver of PSR implementation (Interviewee A11y and Interviewee A10y).

- Founding purpose and time:

Corresponding to the pre-study results, also in the main study one interviewee reported that the mindset of being a responsible company already existed when the company was founded (Interviewee A15y).

- Support of purchasing department:

While middle management support was not mentioned as a driver or requirement for PSR in the main study, in contrast to the pre-study only one interviewee described the support of the purchasing department as a key aspect in implementing PSR (Interviewee A14y). In order to achieve a unified endorsement of the purchasing staff to implement PSR, the interviewee explained that PSR hesitant employees were encouraged to leave the company while at the same time recruiters searched for PSR proponents to join the purchasing team. It was stated that those employees, especially those from the purchasing department, who are

eager to follow and participate in the change process are highly welcome. The ones who block and are unwilling to change their pattern are welcome to leave. One respondent shared that some employees saw PSR as a limitation to their purchasing creativity and freedom and as such they left the company (Interviewee A11y). The respondent continued that they take close looks at the buying behavior and sustainability efforts of their candidates during recruitment.

- Sufficient resources:

Confirming the pre-study results also in the main study the majority of interviewees pointed out that organizations require financial, human and technical resources to implement PSR.

- Technical capabilities:

Also in the main study a couple of interviewees reported that organizations require technical capabilities to integrate PSR processes into existing processes and merchandise management systems (Interviewee A14y, Interviewee A13y, and Interviewee A09y).

- Willingness to invest in PSR:

While one respondent mentioned this driver in the pre-study, two interviewees named it in the main study (Interviewee A08y and Interviewee A09y).

- Cooperation with other stakeholders:

While this requirement was not mentioned in the pre-study, it was emphasized by a few interviewees (Interviewee A15y, Interviewee A13y, and Interviewee A08y) in the main study. One respondent summarized that

“There must be a certain willingness to collaborate with other companies and exchange experience” (Interviewee A15y).

He continued that sustainability is a subject that can only be solved with a team of people from different organizations rather than independently.

- Economic self-interest:

In contrast to the pre-study where all respondents mentioned economic self-interest as the main PSR driver, in the main study >60% confirmed this driver (Interviewee A13y, Interviewee A12y, Interviewee A11y, Interviewee A08y, and Interviewee A09y). Those who confirmed it however, provided the same reasons apart from access to capital / investors: avoidance or risk reduction of reputational damage from PSR scandals (mentioned by the majority of interviewees) and security of continuous availability of products and raw materials (mentioned by the minority of interviewees). As one respondent pointed out

“The strategic motivation is simply to ensure that we do not cut the tree we are sitting on. We are well advised to secure these natural resources for the future to ensure the continuity of our own business, otherwise, we may need to start thinking about reshaping the purpose of our business” (Interviewee A11y).

- Altruistic reasons:

While altruistic reasons were not mentioned in the pre-study, the majority of the main study interviewees named philanthropy and responsibility as a key driver of PSR implementation. Here a concrete example of water usage was provided in which companies producing on islands or countries with limited water supplies optimized their production in order to avoid water shortage for the local citizens.

| | | | | Main study |
|---|----------|--|---|------------|
| Drivers | Internal | Motivation: economic self-interest / potential business benefits | Essential for long-term business survival and for improvement of financial performance | xx |
| | | | Through risk minimization (minimization of reputational damage to avoid loss of market share) | xx |
| | | | Through security of a continuous availability of products and raw materials | x |
| | | Motivation: altruistic reasons | Willingness to invest in PSR | x |
| | | | Companies' sense of responsibility and dedication to philanthropy | xx |
| | | | Commitment of top management | xx |
| | | | Founding purpose and time | x |
| | | Pre-conditions | Technical capabilities | x |
| | | | Sufficient financial, human, and technical resources | xx |
| | | | Support of purchasing department | x |
| | | | Response to employee request | x |
| | | Other | Cooperation with other stakeholders | x |
| | External | Pressures from a variety of stakeholders | Consumers | xx |
| | | | Suppliers | x |
| | | | Governments: current and anticipated laws and regulations | x |
| | | Increased transparency | Transparency of upstream supply chain conditions | x |
| "xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees | | | | |

"xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees

Figure 53: Main study results: PSR drivers

○ **Barriers of PSR implementation and corresponding measures:**

Within the main study all but one interviewee (Interviewee A12y) reported that they did experience barriers or difficulties in implementing PSR, including the following:

○ Lack of understanding of PSR importance:

While in the pre-study the majority of interview partners reckoned that a major barrier to PSR implementation is a lack of understanding of what PSR and its strategic relevance is, in the main study only two interviewees mentioned this barrier (Interviewee A09y and Interviewee A08y). Measures to solve this issue were not mentioned.

○ Resistance to change the current mode of operation:

While in the pre-study the majority of respondents named resistance to change the current mode of operation as a key barrier to PSR implementation, in the main study almost half of the interviewees (Interviewee A15y, Interviewee A11y, and Interviewee A10y) confirmed this barrier. As one interviewee emphasized, this is because

“Well, every change might be a barrier in itself when taking people out of their comfort zone” (Interviewee A10y).

One measure mentioned to solve the resistance to change is communication and persuasion, requiring a lot of effort and compromises (Interviewee A15y). Another reason for the resistance to change the current mode of operation, as suggested by one interviewee (Interviewee A10y), is the purchasing staffs' conflict between margins and PSR. In detail this means the perceived dilemma of margin and price with sustainability requirements. According to the interviewee, this can be only solved by intense discussions with the purchasing department and a strong tone from the top, asking for sustainable ways of conducting business. It has to be made transparent what the advantages and the reasons for PSR are in combination with what the competition is doing and what the customers want.

- Lack of financial and non-financial resources:

The majority of interviewees mentioned lack of resources as a major barrier to PSR implementation. None of the respondents mentioned a solution to this matter.

- Lack of willingness to financially invest in PSR:

A few interviewees (Interviewee A15y and Interviewee A10y) mentioned that in order to implement PSR, organizations need to adapt their structures and processes. In essence, PSR implementation and maintenance requires financial resources and as such interview partners reported that organizations are often not willing to invest in this concept, especially as PSR benefits are difficult to measure.

- Complexity of implementation:

The complexity of implementation was confirmed as a barrier by one interviewee (Interviewee A14y). It was suggested that a solution to this barrier is the engagement in multi-stakeholder-initiatives to gain respective knowledge and advice on PSR implementation.

To conclude, Figure 54 provides an overview of the barriers to PSR implementation while Figure 55 depicts the measures to overcome these barriers that were mentioned in the main study.

| | | | | Main study |
|---|------------------------------|------------------------------|--|------------|
| Barriers | Internal | Motivation | Lack of top management motivation to implement this concept | (xx) |
| | | | Management's insufficient understanding of the importance and benefits / strategic relevance of this concept | x |
| | | | General resistance to change the existing company culture / current mode of operation and adapt this concept | x |
| | | Financial considerations | Lack of financial resources / necessary funds to implement and to maintain operations | xx |
| | | | Lack of financial support by top management / missing willingness to invest in the concept | x |
| | | Non-financial considerations | Lack of required non-financial resources (e.g. human resources) to implement and operate this concept | xx |
| | | | Lack of support from purchasing department | (x) |
| | | | Uncertainty about organizational (IT / technological) capabilities | (x) |
| | Complexity of implementation | | x | |
| | External | External requirements | Lack of (industry) regulations and laws on this concept | (x) |
| | | | From consumers / customers | (xx) |
| | | | From suppliers | (x) |
| "xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees; "()" derived from answers on implementation drivers | | | | |

Figure 54: Main study results: PSR barriers

| Barriers | Main study | Measures | Main study |
|---|------------|---|------------|
| General resistance to change the existing company culture / current mode of operation and adapt this concept | x | Communication and persuasion as well as compromises | x |
| Complexity of implementation | x | Engagement in multi-stakeholder-initiatives to gain respective knowledge and advice on PSR implementation | x |
| "xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees; "()" derived from answers on implementation drivers | | | |

Figure 55: Main study results: PSR barriers and measures

○ **Current PSR status:**

All interviewees view the current PSR status of their employers as very satisfactory and in comparison to their particular industry or region (Germany or Europe) as leaders in this matter, e.g. as expressed multiple times through the amount of awarded CSR or sustainability awards. This stands in contrast to the results of the pre-study where the majority of respondents reckoned that their employers are still in the middle of the PSR implementation process. Overall, one respondent summarized the general notion of all respondents as PSR not being a one-time event (Interviewee A15y). PSR requires constant care and attention for continuous expansion

and improvement of the subject in the company. Furthermore, the majority of interview partners agree that their ultimate goal is to empower suppliers to implement and continuously expand PSR activities by themselves.

- **PSR knowledge:**

There are several possibilities for organizations to gain or expand their knowledge on PSR. In contrast to the pre-study, only two interviewees mentioned management consultants (Interviewee A09y and Interviewee A13y) and none of the interview partners stated the in-house CSR or sustainability department as major sources of information on PSR. Corresponding to the pre-study, also in the main study the majority of interviewees named industry networks such as the Apparel Industry Partnership or Textile Exchange as a key source to exchange and enhance PSR knowledge. Other key sources mentioned by the majority of interview partners in the main study comprise regular exchange with NGOs such as Fairtrade, Rainforest Alliance, Robin Wood, Greenpeace, Forest Stewardship Council, WWF, or Blauer Umweltengel as well as regular communication with competitor firms (not mentioned in the pre-study). One interview partner (Interviewee A15y) stated that they participate in working groups such as the palm oil or the coca forum. The motivation comes from the understanding that sustainability issues cannot be tackled on ones one. Issues such as the palm oil problematic require the attention from a plethora of organizations to act in a coalition for strength in numbers. Another aspect which was mentioned only a few times in the pre-study, but acknowledged by the majority of main study participants are multi-stakeholder-initiatives, in which MNCs are continuously gathering and exchanging PSR knowledge with representatives of the major stakeholder groups. Confirming the pre-study results, also in the main study the remaining sources were mentioned by one to five interviewees each: dialogue with suppliers (Interviewee A13y and Interviewee A14y), dialogue with CSR (audit) agencies (Interviewee A10y, Interviewee A11y, Interviewee A12y, and Interviewee A13y), existing standards such as the Global Organic Textile Standard or Cotton Made in Africa Standard (Interviewee A11y, Interviewee A13y, and Interviewee A14y), own research, benchmarks, business contacts who are also confronted with PSR (Interviewee A12y and Interviewee A13y), external

training and events (Interviewee A10y), universities conducting research in this area (Interviewee A08y, Interviewee A10y, and Interviewee A11y), as well as professional CSR associations (Interviewee A08y, Interviewee A09y, Interviewee A11y, Interviewee A13y, and Interviewee A14y). One additional aspect to the pre-study that was stated twice in the main study is PSR knowledge increase through hiring professionals with this specific background (Interviewee A09y and Interviewee A13y).

- **PSR dimensions:**

In contrast to the pre-study, all interviewees mentioned social and environmental criteria as being part of PSR, followed by three respondents viewing economic factors as another part of PSR (Interviewee A08y, Interviewee A10y, and Interviewee A15y). The examples provided for both the social and environmental dimension correspond to those described in the pre-study results. Regarding the economic dimension, the three respondents provided additional examples and named strict avoidance of corruption and the establishment / enhancement of fair competition in the upstream supply chain.

- **Orientation framework for PSR scope clarification and scope emphasis:**

Also in the main study, the majority of interviewees outlined that organizations put a specific emphasis on a particular PSR scope. In order to do so, organizations turn to internal and external sources. The main reason for putting a specific emphasis on a particular scope is the amount and complexity of products and raw materials and consequently the complexity of the upstream supply chains.

All external sources mentioned in the pre-study were confirmed in the main study: certifications, and (industry) (reporting) standards, such as Consumer Goods Forum or Textile Exchange, as well as existing legal regulations. However, according to a few interviewees (Interviewee A10y and Interviewee A08y) existing legal regulations build only the fundamental basis for the PSR scope. As one interviewee summarized:

“Sustainability is what comes on top of laws and regulations” (Interviewee A10y)

criticizing EU regulations as too basic to adhere to the concept of sustainability. The standards mostly mentioned - in order of sequence - include the ILO Conventions, BSCI, Fairtrade, GOTS, and the Cotton Made in Africa Standard. In contrast to the pre-study, in the main study further external sources were mentioned, such as NGOs incl. WWF, Rainforest Alliance, Forest Stewardship Council, Blauer Umweltengel or Aid by Trade Foundation, competitor benchmarks, recommendations of consulting firms, and multi-stakeholder-initiatives.

In contrast to the pre-study the following internal sources for clarifying PSR scope and emphasis were not confirmed: own understanding of industry emphasis, system and process capacities and monitoring capabilities, as well as considerations of the firm's margin.

Corresponding to the pre-study, a few interviewees (Interviewee A14y and Interviewee A10y) confirmed that their employers based their PSR scope clarification on their own subjective assumptions of what suppliers can achieve in regards to PSR. For example, one interviewee pointed out that one cannot demand from suppliers to follow specific PSR requirements that contradict their cultural background continuing that one needs to pay extra attention to cultural specifics.

“I cannot tell them anything about gender equality, when in their country e.g. homosexuality is prohibited” (Interviewee A14y).

Also, as explained in the pre-study, a few interviewees mentioned that scope delimitations also depend on regions of suppliers and their legal conditions. One cannot force a regulation upon a supplier operating in a country whose laws contradict that very regulation (Interviewee A14y and Interviewee A10y).

Other aspects confirming the pre-study results comprise the fact that often PSR emphasis is volatile, meaning that companies focus on specific PSR aspects in one year and on others in the next. Also risk considerations were confirmed by the majority of respondents. Here, more than half of the

interview participants (Interviewee A15y, Interviewee A13y, Interviewee A12y, Interviewee A09y, and Interviewee A10y) explained that they conduct hot spot analyses - analyses of high risk areas clustered by products, raw materials, suppliers, or supplier regions.

“The hot spot analyses are carried out together with NGOs or assessors to identify potential areas of risk in products or product groups” (Interviewee A15y).

Another aspect of scope clarification and emphasis which was not mentioned in the pre-study, is the conduction of a materiality assessment (mentioned by the majority of interviewees).

- **PSR strategy:**

In contrast to the pre-study, the majority of respondents in the main study confirmed that their employers have either already formulated a PSR strategy or are currently in the process of developing it. Also, a few respondents outlined that the PSR strategy is part of the overall sustainable strategy or in other words is derived from the general sustainable business strategy and usually without a holistic sustainable strategy, PSR is not implemented (Interviewee A08y, Interviewee A11y, and Interviewee A15y). Also, as outlined in the pre-study, the respondents confirmed that the PSR strategy is continuously refined and developed further to match the growing demand for improvement. The majority of main study respondents further outlined that once the PSR strategy is formulated, clear measures and guides to reach PSR objectives are developed.

“The strategy itself also included the realization concept and its instruments such as a purchasing or quality handbook in order to lend a helping hand to the purchasing department” (Interviewee A11y).

- **Integration of PSR strategy and objectives:**

A few main study respondents confirmed that an essential step in implementing PSR was to derive the PSR strategy from the general business strategy to achieve a consistent holistic strategic picture

(Interviewee A08y, Interviewee A11y, and Interviewee A15y). How this task was conducted was not explained.

- **Business case:**

Similar to the pre-study results, two respondents pointed out that their employers did not calculate a business case (Interviewee A09y and Interviewee A14y), e.g. due to the difficulty to estimate the benefits or drawbacks of PSR, while three respondents confirmed that such considerations were taken (Interviewee A08y, Interviewee A10y, and Interviewee A13y). Also, similar to the pre-study, the main study participants did not answer how a business case was calculated. Nonetheless, this time the interviewees provided more examples for both the cost and benefit side of the business case.

Next to the financial, human and technical expenses to e.g. monitor supplier compliance, or implement (risk) databases - all aspects already mentioned in the pre-study - e.g. three interviewees named margin decline as another aspect of the business case cost side (Interviewee A14y, Interviewee A10y, and Interviewee A09y). A symbolic example given are certified and non-certified raw materials. If the higher cost of certified raw materials is passed onto the consumer he might decide to switch suppliers for a cheaper end product.

“Money, I believe, always plays a key role. Once it was clear, that we will no longer import non-certified tropical wood products, it was also clear, that this change will cost us a lot of money. Non-certified tropical wood products are of course much cheaper. Therefore, on the other side, certified tropical woods are more expensive. If one decides to offer certified tropical wood products only, it is clear that the purchasing price will be much higher, and it is also clear, that one cannot pass these higher costs to the consumer. If one would decide to pass these higher costs to the consumer, the consumers would simply buy products from the competitors, where they can purchase this product, most likely non-certified, for a much cheaper price” (Interviewee A09y).

While monitoring suppliers was already mentioned in the pre-study, in the main study one interviewee provided a thorough comparison of verifying supplier compliance through costly audits vs. software systems to shed a light on cost considerations when conducting a business case for PSR.

“If I tell you that we have 200.000 tier 1 suppliers, and someone would require us to audit these suppliers in a pragmatic timeframe of a couple years, I would need 5.000 employees to conduct this task. This is my best guess. And I mean 5.000 people full-time, who would solely focus on the audit task. And you can imagine, that if I would ask my CEO for permission to hire 5.000 people to conduct these audits, this would be the last question I would have asked him in this company (...) and consequently, what happens now, is that multiple suppliers are verified through software systems. This is simply cheaper. However, companies realize now that this is also not that easy. That is why I mentioned earlier that we all need to engage in a continuous dialogue with each other to find suitable solutions for verifying supplier PSR compliance. Especially, as we do not have 1:1 relationships with suppliers. Almost every supplier delivers products or services to various customers” (Interviewee A12y).

Taking a look at the benefits side of the business case, multiple interviewees outlined that in general the benefits are much higher (Interviewee A08y, Interviewee A10y, and Interviewee A14y). One interviewee (Interviewee A14y) went on saying that being able to refer to BSCI upon a customer request is worth more than any margin.

- **PSR reach:**

In contrast to the pre-study, none of the main study interviewees answered how their objective regarding PSR reach looks like. Also, similar to the pre-study, all respondents outlined that currently they do not treat all suppliers equally regarding PSR measures. The reasons reported for focusing on specific supplier categories correspond to the pre-study answers. A few interviewees (Interviewee A08y and Interviewee A15y) further outlined that capturing data from all supplier tier levels is not possible due to system restrictions. As one respondent highlighted

“Furthermore, on the one hand you would need an incredibly large amount of manpower to collect and capture this data and on the other hand there is simply a lack of transparency in certain tier levels” (Interviewee A15y).

And transparency of the upstream supply chain is one of the key requirements to implement PSR for all suppliers.

As outlined in the pre-study, also in the main study the respondents confirmed to categorize suppliers primarily according to the following attributes: by tier level, by suppliers with the largest purchasing volume, by risk assumptions or by product groups. In comparison to the pre-study the following methods of supplier categorization were not mentioned in the main study: by supplier market positioning, by length and intensity of supplier relationship or by suppliers with a strategic importance. In addition, one method that was not previously mentioned in the pre-study was supplier categorization depending on supplier conditions. The respondents (Interviewee A14y and Interviewee A10y) explained that their employers implement PSR in supplier regions that most urgently require PSR.

Furthermore, the majority of interviewees reported that they only require their direct / tier 1 suppliers to follow PSR requirements, who are then requested to pass on the PSR requirements to their suppliers. One interviewee explained that his employer’s PSR reach comprises tier 1 and tier 2 suppliers (Interviewee A09y). Another interviewee reported that PSR is enforced for all suppliers of one particular product group (Interviewee A14y). One interviewee (Interviewee A13y) pointed out that they focus on suppliers with high purchasing volumes, while another interviewee (Interviewee A15y) explained the focus on those suppliers with the highest risk potential.

- **Those responsible for PSR:**

Similar to the pre-study results, also in the main study multiple respondents mentioned that the implementation of PSR is a company-wide challenge (Interviewee A13y, Interviewee A11y, and Interviewee A09y). Thus, those responsible for PSR implementation usually stem from multiple disciplines such as top management, CSR department and purchasing department,

who together formulate the PSR approach and build a project team required for the implementation.

In contrast to the pre-study, only one interviewee (Interviewee A15y) reported that PSR was integrated into the existing purchasing department, while all other interviewees explained that in order to implement and maintain PSR a central CSR team is required which ensures that CSR and PSR is implemented into all business departments incl. the purchasing department. In other words, a central CSR team oversees and bundles CSR topics and subtopics such as PSR and ensures that it is followed completely. It reports to the CEO and coordinates all sustainability efforts in the departments. To provide an example of the tasks of the CSR team in regards to PSR, one interviewee mentioned that

“There are certain meetings with the purchasing department. There is a constant coordination and cooperation between the two departments. Therefore, they know, ok what is a hot topic, what should we focus on? This is especially important when it comes to new suppliers and their conditions. Therefore, it is crucial that the purchasing department works closely together with the suppliers, so that they know, what is required. It is basically a continuous information and knowledge exchange, which is very important” (Interviewee A13y).

Overall, multiple interviewees (Interviewee A13y, Interviewee A12y, Interviewee A11y, and Interviewee A10y) mentioned that there usually is a head of CSR which is a direct report to the management board.

- **Preparation of purchasing staff:**

The majority of interviewees reported that their employers or firms they have worked at provide training for their purchasing staff to raise awareness and provide the necessary know-how on PSR, confirming the responses of the pre-study. In contrast to the pre-study, the interviewees in the main study described the use of external training instead of in-house training. One interviewee (Interviewee A12y) mentioned web-based training. Overall, the majority of interviewees agreed that PSR knowledge is continuously enhanced through training and workshops. The aim of training is to not only

understand how to conduct PSR tasks but also to be able to share information with suppliers.

- **PSR implementation steps:**

Overall, the responses of the main study participants correspond to those of the pre-study, e.g., also in the main study the majority of interviewees mentioned that once the decision is made to implement PSR, and PSR knowledge and resources are sufficient, as a first step organizations clarify their PSR scope and reach as well as designate and prepare those responsible for PSR implementation and maintenance.

Secondly, the majority of interviewees pointed out that organizations then usually try to achieve transparency over their upstream supply chain for which they often extend their IT tools and systems. The majority of interviewees responded that their employers developed specific CSR databases to collect and analyze supplier data based on audit criteria. Often, these databases collect and analyze data beyond tier 1 suppliers, up to entire upstream supply chains. Furthermore, a few interviewees (Interviewee A09y and Interviewee A13y) reported that their suppliers have access to this database to share information as well as to be able to track their status anytime in order to implement specific measures in case they do not match the desired KPI levels. One interviewee (Interviewee A09y) described the database use more thoroughly by explaining that the CSR map is fed by the SAP system with its master data (product data), audit reports from a variety of sustainability institutes, corruption and economic indices and real time data - providing a sustainability cockpit for products. Overall, the aim of these databases is to collect and record basic supplier data along the products and raw materials purchased to achieve an overview of the entire supplier base.

As a third step, all respondents agreed that organizations need to formulate their requirements / KPIs for suppliers (and eventually zero-tolerance criteria, that hinder or end contracts with suppliers), which are usually derived from PSR scope and are attached to the existing classic commercial KPIs. In contrast to the pre-study, in the main study, participants explained that usually they derive their KPIs from existing standards such as ILO

Conventions, Global Compact, the OECD guidelines for multinational enterprises, ISO 140001 or BSCI standards. Once these KPIs are formulated, it was emphasized that as a next step these KPIs and requirements are typically included in the code of conduct. Furthermore, PSR measuring instruments, e.g. the frequency and type of audits (announced / unannounced, internal / external / group) are clarified. The respondents further outlined that their employers developed process descriptions for audits, documentation, collaboration with suppliers etc., followed by a description of a project plan outlining which objectives should be reached by when. Furthermore, the respondents outlined that once this is finalized, suppliers are usually informed of the upcoming PSR expectations and prepared for the rollout wherever necessary. This happens in a written correspondence, which contains a request for change that might require immediate actions such as the presentation of specific certification.

As a penultimate step a few interviewees (Interviewee A09y, Interviewee A11y, Interviewee A12y, and Interviewee A13y) mentioned that they conduct audits for (specific groups of) suppliers to determine the PSR status quo and compare and document the gap between the current and desired status to go from there with a gradual PSR rollout until reaching a full PSR implementation - being the last step.

- **Organizational changes required for PSR:**

Confirming the pre-study results, next to the setup of a CSR and an audit team or the integration of PSR into the purchasing department, multiple main study interviewees (Interviewee A10y, Interviewee A12y, Interviewee 13y, and Interviewee A15y) reported that they also changed their processes and structures. These changes involve adaptations in gathering and evaluating supplier information through the setup of new IT systems and databases, changes in the merchandise management system and the integration of new processes regarding supplier selection and compliance. As one interviewee summarized

“In that sense, every process that existed previously, even in written form, is today enhanced with sustainability parameters. So in that respect, the entire company has changed” (Interviewee A11y).

- **Integration of PSR objectives into purchasing staff's individual goals:**
All but two interviewees (Interviewee A13y, Interviewee A14y) reported that their employers have included PSR objectives into purchasing staff's individual objectives. Out of the two, one interviewee reported that while these objectives are not integrated at the purchasing department level, they are included at the top management level (Interviewee A09y). The long-term compensation of this management level comprises an element of sustainability as an incentive. There are also discussions to spread this to lower organizational levels. Three out of the five remaining interviewees (Interviewee A08y, Interviewee A11y, and Interviewee A12y) reported that PSR goals are even monetarily incentivized, meaning that the annual bonus of employees is also determined by a sustainability component.
- **Verification of PSR status of potential and existing suppliers:**
Corresponding to the pre-study results, the majority of main study interviewees reported that currently their primary measure to achieve supplier compliance with PSR is conducted through supplier monitoring and respective sanctions in case of non-compliance. At the same time, a few interviewees (Interviewee A12y, Interviewee A11y, and Interviewee A08y) emphasized that they plan to change the current mode of operation towards less control and more collaboration. The aim is to train suppliers and enable them to alter their structures and processes according to the PSR requirements of focal firms.

Also, as reported in the pre-study the majority of interviewees responded that in general as a first step, organizations typically gather self-assessments on PSR from suppliers and require them to sign their code of conduct on PSR. In order to verify whether the information provided in the self-assessments are true, a few main study respondents (Interviewee A09y, Interviewee A11y, and Interviewee A13y) explained that their employer usually conducts on-site supplier visits to get a feeling of the supplier's conditions. In a later stage, the majority of main study participants confirmed all PSR verification measures mentioned in the pre-study, besides the acceptance of audit reports conducted or verified by competitors: frequent supplier audits, which are either announced or unannounced, conducted by

the focal firm or external auditing firms, as well as verification of standard certificates, ratings or memberships in CSR / PSR initiatives such as BSCI.

- **Approach to handling supplier non-compliance:**

The answers of the main study respondents are similar to those of the pre-study. Three respondents pointed out, that suppliers are not taken on that do not comply with PSR standards prior to the contract (Interviewee A14y, Interviewee A10y, and Interviewee A09y), while other three interviewees (Interviewee A15y, Interviewee A08y, and Interviewee A12y) reported that in case potential suppliers do not meet the necessary standards, they are provided with (on-site) training, advice and information to achieve the desired status. However, also in the main study one exception mentioned by the majority of interviewees are zero-tolerance criteria in which case a contract and support are ruled out. The examples provided for zero-tolerance criteria in the main study include corruption, child labor and lack of fire protection. Furthermore, also in the main study the majority of respondents have confirmed the escalation process and ultimate consequences for supplier non-compliance, incl. corrective measures. The examples provided match those in the pre-study. One additional example for corrective measure support, provided by one interviewee (Interviewee A08y), includes the organization of supplier meetings. In these peer reviews suppliers are clustered into groups where they can learn from each other and exchange relevant information.

- **PSR rollout: preparation of suppliers:**

Similar to the pre-study results, the majority of respondents explained that their employers prepared their suppliers for the PSR implementation. The preparation typically began with the communication of the PSR background, reasons, scope and expectations, followed by training or workshops prior to the provision of codes of conduct or the agreement on first objectives. For example, one interviewee (Interviewee A14y) explained that his employer requested BSCI certification as a first objective and as such demanded a short statement from the supplier that outlines whether and how the supplier plans to fulfill this request. The majority of interviewees pointed out that the communication process was integrated into existing supplier meetings and

thus happened step by step rather than at one specific point in time. One interviewee provided a thorough picture on how the process looked like during and after the communication and respective training.

“Then we established the appropriate organization, by visiting the local businesses, through meetings with the management, sharing of findings, adopting common improvement processes, and adopting mutual reporting processes. So that everything can be successively integrated into the day-to-day business between us and the suppliers” (Interviewee A08y).

- **PSR rollout sequence:**

While the majority of main study respondents confirmed the answers of the pre-study that the PSR rollout was not conducted simultaneously for all suppliers, the examples of clustering suppliers were different.

For new suppliers, the majority of respondents agreed that once the code of conduct incl. PSR parameters is finalized, new suppliers receive this conduct attached to the contract with the request to sign both documents. In case they are not familiar with PSR, the majority of respondents agreed that they provide information on PSR and training. Afterwards new suppliers are typically asked for a self-assessment incl. proof of specific certification and in a later phase are usually audited against PSR and other criteria.

For existing suppliers, the respondents reported that the PSR rollout is either based upon the ease of implementation, based on product groups or risk aspects. Ease of implementation was reported by one interviewee (Interviewee A11y) who explained that the organization clustered suppliers into three groups: those who may probably never be able to fulfill PSR requirements, those who will reach PSR requirements and those who already have PSR (or parts of PSR) in place.

The first group, those who will not reach PSR requirements, were excluded from the rollout and excluded from further contracts. Group number one was informed about PSR at once with the request to sign the new code of conduct, while group number two was first informed and prepared for PSR - similar to the process involved with new suppliers. PSR rollout by product groups was not further specified, while rollout by risk aspects described a

step by step rollout starting with those suppliers with the highest risks involved (e.g. product groups with specific dangerous ingredients). The remaining respondents did not report a specific order of rollout, however, they confirmed that it was a step by step rollout, where typically the rollout was included into regular supplier meetings following the sequence of those meetings.

- **Further buyer-supplier activities:**

The answers of the main study participants reflect the majority of the pre-study findings. The majority of interviewees reported that their employers support suppliers through regular communication and advice, training, e.g. conducted by professional CSR associations, and on-site support. One interviewee (Interviewee A11y) explained that his employer goes even further than the previously stated measures by providing a purchase guarantee for multiple years for suppliers in order to signal the importance of PSR and confirm that suppliers will not be stuck with the costs of eventual PSR investments. Furthermore, he pointed out that suppliers are supported with investments in required machineries or tools.

- **Tracking of PSR progress:**

All but two interviewees (Interviewee A12y and Interviewee A09y) reported that their organizations monitor and track their PSR progress. The examples on how PSR progress is tracked comprise four measures and correspond to a large extent to the results of the pre-study.

- **On the product level:** share of products with a sustainable sourcing label (Interviewee A13y and Interviewee A11y), e.g. Cotton Made in Africa Label, Ökotex.
- **On the standards level:** number of implemented standards in the supply chain (Interviewee 14y, Interviewee A13y, and Interviewee A11y), e.g. one interviewee explained that his employer is a BSCI member and monitors their suppliers with regards to membership and fulfillment of BSCI standards (Interviewee A14y).

- **On the supplier level:** number of suppliers that adhere to PSR requirements, e.g. according to audits / number of certified suppliers, e.g. BSCI (Interviewee A14y, Interviewee A13y, and Interviewee A11y).
 - **On the strategic level:** target achievement per PSR KPI (either internally developed or derived from a standardized report), e.g. number of PSR audits (Interviewee A15y, Interviewee A13y, Interviewee A11y, Interviewee A10y, and Interviewee A08y).
- **Communication of PSR progress and activities:**
- The majority of interviewees reported that their employers communicate their PSR progress and activities both firm-internally and firm-externally - confirming the results of the pre-study. Examples of internal communication comprise regular staff meetings, communication via the firm's intranet or employee magazines. External communication is usually integrated into the annual report or the CSR / sustainability report, such as GRI4.
- **Continuous improvement process:**
- The majority of respondents explained that their employers have implemented a continuous PSR improvement process. In contrast to the pre-study, neither the improvement process based upon the extension of PSR KPIs per product nor the example of external auditors, who review the focal company on their PSR achievements were mentioned in the main study. Reported were two other methods of continuous improvement: the continuous PSR knowledge and information exchange with competitors (as described in the pre-study) and with other stakeholders such as NGO's, CSR associations, CSR auditing agencies, universities or suppliers (not mentioned in the pre-study) with the objective to enhance PSR knowledge and to find further solutions for common problems. This multi-stakeholder-initiative was described by five interviewees (Interviewee A15y, Interviewee A13y, Interviewee A11y, Interviewee A10y, and Interviewee A08y), of which all emphasized the importance of a continuous exchange with competitors.
- Two interviewees reported that they focus on the continuous improvement process through an ongoing communication with their suppliers and support

in the supplier's execution of corrective measures (Interviewee A15y and Interviewee A12y). Corresponding to the pre-study results, the second method of a continuous improvement process reported in the main study is based on monitoring of PSR goal achievement. Here companies regularly formulate PSR goals to be reached in a specific time frame and review the goal achievement on a regular basis. Furthermore, one interviewee pointed out that once a target is reached they start scouting for a higher one (Interviewee A15y).

- **PSR vision:**

Only two aspects from the pre-study were mentioned in the main study as well. One is the belief that the costs of implementing and maintaining PSR need to be transferred to the end customer. Two interviewees in the main study mentioned this aspect (Interviewee A14y and Interviewee A09y). However, according to the interviewees increasing product prices is not that simple due to competition and price sensitive consumers. Especially in the clothing industry one can observe a high turnover and frequency of acquisition. This is because consumers lost their appreciation for the value of the products and are hence not prepared to pay higher prices. Both respondents acknowledge that this is nothing the companies can solve by themselves. The underlying issue is much deeper and needs to be solved at another level to change the mindset of consumers. However, both respondents agree and criticize that despite the oftentimes poor working conditions in countries such as Bangladesh being clear to German consumers, they are usually not prepared to pay a higher product price. Solutions to this issue the interviewees provided comprise the provision of more information to the consumers. However, at the same time both agreed that this cannot be the only solution, as sufficient information already exists and the mindset of the consumers did not change despite of knowledge of child labor and other ethical violations. This results in less economic and social growth for developing countries. Another solution may be to extend the durability of products and at the same time reduce the amount of products to achieve less consumption. However, the respondent who provided this argument also views this solution as unrealistic (Interviewee A15y).

The other aspect mentioned by the majority of interviewees in both studies, the pre- and main study, is the hope that in the future companies industry-wide will work closely together on PSR as this is believed to be a mutual process. A dialogue has to be achieved and sensible solutions must be found on how to manage suppliers.

An additional aspect to the pre-study, described by the majority of main study respondents is the hope that the terms CSR, PSR or sustainability will disappear to symbolize a new era of a holistic responsible business incl. responsible procurement which naturally involves sustainability, CSR, PSR and all other related terms.

- **PSR consequences:**

The answers of the main study respondents reflect to a large extent those of the pre-study. For example, in the main study a few interviewees also mentioned that PSR implementation bears negative consequences in form of PSR setup and operational costs which cannot be transferred to the customer leading to lower margins (Interviewee A14y, Interviewee A10y, and Interviewee A09y). Cost examples provided correspond to those named in the pre-study. At the same time, the majority of main study participants outlined the positive effects of PSR including know-how increase of focal organizations, a stronger competitive edge, a higher customer satisfaction and firm reputation, lower employee fluctuation, and a better supplier performance. Furthermore, all participants agree that companies can only remain competitive in the long-run if they act sustainably. Hence it seems unavoidable to implement sustainability in the procurement functions.

Another PSR consequence explained by the majority of interviewees is that currently more and more companies develop their own monitoring software, despite the fact that often focal firms use the same suppliers. Thus, multiple interviewees pointed out that more industry-wide collaboration and a standardized monitoring system are needed as the solution to sustainable business is nothing that can be achieved independently but only with great numbers (Interviewee A15y and Interviewee A12y). This requires openness and the willingness to exchange knowledge. On the other hand a few

interviewees mentioned that as a consequence of implementing PSR as one of the first companies, they now realize that it is time to make a shift from a sole focus on controlling suppliers to a stronger buyer-supplier collaboration (Interviewee A12y, Interviewee A11y, and Interviewee A08y). One interviewee further noted that

“Right now, we are all, and I am one of those, busy trying to fulfill requirements in various questionnaires, tools, IT systems, and so on. That's what's going on right now. The time is actually invested in the wrong place, meaning that we should really empower our suppliers to follow PSR standards” (Interviewee A12y).

One interviewee (Interviewee A11y) mentioned that in order to strictly follow the idea of PSR, one needs employees with the corresponding sustainable mindset. As such, employees that did not follow the idea of PSR were invited to leave the company and prospective employees are nowadays also selected by certain CSR KPIs, e.g. CSR experience.

The figures on the next pages provide a summary of the main study results and a comparison to the pre-study results.

| | Pre-study statement | Main study statement |
|--|---|---|
| PSR beginnings | While PSR has been discussed for a much longer period of time, prior to the actual implementation, the majority of companies within the consumer goods industry began implementing PSR between 2009 and 2014. | The first part of the pre-study statement was confirmed. However, the participants emphasized that the majority of companies within the consumer goods industry began implementing PSR between 2006 and 2013. |
| | The PSR implementation date depends on the industry. The consumer goods industry and especially the apparel sector begun earlier with implementing PSR than others. | Not mentioned. |
| | PSR implementation is mainly an issue of MNCs. | Not mentioned. |
| External requirements and drivers for PSR implementation | Growing social attention / stakeholder demand for this topic; external pressures from customers; external pressures from NGOs; external regulatory pressures. | The pre-study statement was almost entirely confirmed: external pressures from NGOs were not listed. Additional factors mentioned include supplier requests and transparency of upstream supply chain conditions. |
| Internal requirements and drivers for PSR implementation | Top management support and personal commitment; response to CSR department request; response to employee request; founding purpose and time; middle management support; support of purchasing department; sufficient financial, human, and technical resources; technical capabilities; willingness to invest in PSR; economic self-interest: avoidance / risk reduction of reputational damage from PSR scandals, security of continuous availability of products and raw materials, better access to capital / access to investors. | The pre-study statement was almost entirely confirmed: response to CSR department request, middle management support, and access to investors were not mentioned. Additional factors mentioned comprise cooperation with other stakeholders and altruistic reasons. |
| Barriers to PSR implementation and corresponding measures | Lack of understanding of PSR importance (measure: top management's initiative to achieve visibility and demonstrate support to pursue this topic); resistance to change the current mode of operation (measure: extensive communication and training of employees); lack of resources (measure: not provided); lack of willingness to financially invest in PSR (measure: not provided); complexity of implementation (measure: not provided). | While the pre-study results were confirmed, one additional measure was provided to overcome the complexity of implementation (measure: engagement in multi-stakeholder-initiatives to gain respective knowledge and advice on PSR implementation). Another barrier outlined in the main study includes purchasing staff's conflict between margin and PSR (measure: this can be solved through intense discussions with the purchasing department and a strong tone from the top, asking for sustainable ways of conducting business. It has to be made transparent what the advantages and the reasons for PSR are in combination with what the competition is doing and what the customers want). |
| Current PSR status | Organizations are still being in the process of reaching a satisfactory and complete PSR implementation. | The participants view the current PSR status of their employers as very satisfactory. In comparison to their particular industry or region they view their employers as leading in PSR. |
| PSR knowledge | Management consultants; own CSR or sustainability departments; industry networks; dialog with suppliers; dialog with stakeholders; dialog with CSR (audit) agencies; existing standards; own research; benchmarks; business contacts who are also confronted with PSR; external trainings and events; universities conducting research in this area; professional CSR associations. | The majority of the pre-study statements were confirmed. In the main study own CSR or sustainability departments were not mentioned. Dialog with stakeholders was enhanced in the main study by multi-stakeholder-initiatives. An additional factor mentioned was hiring of professionals with the specific PSR background. |
| PSR dimensions | Social, environmental, and economic dimension, acknowledging that the economic dimensions was mentioned seldom compared to the other two. | The pre-study statements were confirmed. |

Figure 56: Main study results (part 1)

| | Pre-study statement | Main study statement |
|---|---|---|
| Orientation framework for PSR scope clarification and scope emphasis | Organizations put a specific emphasis on a particular PSR scope. In order to do so, organizations turn to internal and external sources. | The pre-study statements were confirmed. |
| | External sources comprise existing legal regulations, certifications, and (industry) (reporting) standards, PSR benchmarks and industry networks. | The pre-study statements were all confirmed and enhanced by further external sources: NGOs, recommendations of consulting firms, and multi-stakeholder initiatives. |
| | Internal sources comprise a company's own understanding of industry emphasis in deciding upon the PSR scope and focus, system and process capacities and monitoring capabilities. Moreover, PSR scope should comprise those criteria that are measurable, such as certificates. Realistic subjective assumptions of what suppliers can achieve - also depending on regions of suppliers and their major concerns - in regards to PSR are also often considered. The last scope delimitation outlines that the PSR scope can only go as far as long as it does not negatively affect the firm's margin and retail price for consumers. | The pre-study statements were almost entirely confirmed. Aspects that were not mentioned include a company's own understanding of industry emphasis in deciding upon the PSR scope and focus and the focus on measurable criteria. One additional aspect mentioned in the main study are scope delimitations based upon materiality assessments. |
| PSR strategy | Leading PSR organizations have a PSR strategy in place, even though the depth of strategy may differ. In general, the PSR strategy needs to be continuously adapted as PSR expertise – driven internally by those responsible for PSR and externally by the company's stakeholders – grows. | The pre-study statements were confirmed. |
| Integration of PSR strategy and objectives | An essential step in deciding upon the right PSR approach is to determine what the company brand should represent and align the PSR scope, measures and objectives in accordance with general strategic business parameters as well as with the overall CSR / sustainability goals as this signals the importance of the topic. | The pre-study statements were confirmed. In addition to that, a few respondents outlined that the PSR strategy should be part of the overall sustainable strategy or in other words should be derived from the general sustainable business strategy. According to a few respondents, without a holistic sustainable strategy, PSR is usually not implemented. The majority of main study respondents further outlined that once the PSR strategy is formulated, clear measures and guides to reach PSR objectives are developed. |
| Business case | A few respondents calculated a PSR business case: however, most focused solely on the cost-side of the business case, as benefits are difficult to measure. | The pre-study statements were confirmed. |
| PSR reach | While the majority of respondents confirmed that the ultimate goal is to implement PSR in its entire scope in the upstream supply chain, a few respondents follow the objective to ensure compliance for basic PSR requirements for all suppliers and advanced PSR requirements for specific groups of suppliers. The majority of interviewees reported that they only require their direct / tier 1 suppliers to follow (advanced) PSR requirements who are then requested to pass on the PSR requirements to their suppliers. The reason provided is that legally focal firms have only contracts with their direct suppliers. Besides the tier grouping, suppliers may also be categorized according to the following attributes: by suppliers with the largest purchasing volume, by risk assumptions, by product groups, by supplier market positioning, by length and intensity of supplier relationship or by suppliers with a strategic importance. | In contrast to the pre-study, none of the main study interviewees answered how their objective regarding PSR reach looks like. Also, similarly to the pre-study, all respondents outlined that currently they do not treat all suppliers equally regarding PSR measures. The reasons reported for focusing on specific supplier categories correspond to the pre-study answers. A few interviewees further outlined that capturing data from all supplier tier levels is not possible due to system restrictions. As outlined in the pre-study, also in the main study the respondents confirmed to categorize suppliers primarily according to the following attributes: by tier level, by suppliers with the largest purchasing volume, by risk assumptions or by product groups. In comparison to the pre-study the following methods of supplier categorization were not mentioned in the main study: by supplier market positioning, by length and intensity of supplier relationship or by suppliers with a strategic importance. In addition, one method that was not previously mentioned in the pre-study was supplier categorization depending on supplier conditions. Furthermore, the majority of interviewees reported that they only require their direct / tier 1 suppliers to follow PSR requirements, who are then requested to pass on the PSR requirements to their suppliers. |

Figure 57: Main study results (part 2)

| | Pre-study statement | Main study statement |
|---|---|--|
| Those responsible for PSR | <p>Almost half of the respondents mentioned that the implementation of PSR is a company-wide challenge. Thus, those responsible for PSR implementation usually stem from multiple disciplines such as top management, CSR department, purchasing department, strategy / business development department, who together formulate the PSR approach and build a project team required for the implementation. In addition to this, a few respondents mentioned that in order to maintain PSR, a central CSR or PSR team is required, again in form of an interdisciplinary team. This ensures that PSR is not only integrated in purchasing but also throughout the entire product lifecycle. One interviewee pointed out that this team should follow PSR and their departmental objectives at the same time, leading to a stronger awareness and responsibility for PSR. The other half of respondents reported that PSR was integrated into the existing purchasing department. No separate team was created.</p> <p>Usually there is a head of CSR or PSR, which is a direct report to the management board. The interdisciplinary PSR team however usually reports to their individual department head.</p> | <p>The pre-study statements were almost entirely confirmed. The difference here is that the majority of respondents agreed that a central interdisciplinary CSR team (including PSR) was set up, while only one interviewee reported that PSR was integrated into the purchasing department.</p> <p>The central interdisciplinary CSR team usually has a head of the team who is a direct report to the CEO and coordinates all sustainability efforts in the departments.</p> |
| Preparation of purchasing staff | The majority of interviewees reported that their employers or firms they have worked for organize trainings for their purchasing staff to raise awareness and provide the necessary know-how on PSR. Two interviewees mentioned that this task is conducted by the CSR department. | The pre-study statements were confirmed. |
| PSR implementation steps | <p>1. step: organizations clarify their PSR scope and reach as well as designate and prepare those responsible for PSR implementation and maintenance</p> <p>2. step: organizations try to achieve transparency over their upstream supply chain for which they often extend their IT tools and systems</p> <p>3. step: organizations determine their requirements / KPIs for suppliers (and eventually zero tolerance criteria, that hinder or end contracts with suppliers), which are usually derived from PSR scope and are attached to the existing classic commercial KPIs</p> <p>4. step: KPIs and requirements are typically included in the code of conduct</p> <p>5. step: PSR measuring instruments are determined, e.g. the frequency and type of audits</p> <p>6. step: suppliers are informed of the upcoming PSR expectations and prepared for the rollout wherever necessary</p> <p>7. step: supplier audits for (specific groups of) are conducted to determine the PSR status quo and compare and document the gap between the current and desired status</p> <p>8. step: a gradual PSR rollout is conducted</p> | The pre-study statements were confirmed. In addition to step 2, almost all interviewees responded that their employers developed own specific CSR databases to collect and analyze supplier data based on audit criteria. In addition to step 5, the respondents further outlined that their employers developed process descriptions for audits, documentation, collaboration with suppliers etc., followed by a development of a project plan describing which objectives should be reached by when. |
| Organizational changes required for PSR | Process changes involve adaptations in gathering and evaluating supplier information, changes in the merchandise management system and the integration of new processes regarding supplier selection and compliance. | The pre-study statements were confirmed. |
| Integration of PSR objectives into purchasing staff's individual goals | All interviewees agreed that their employers or organizations they consult have either already included PSR objectives into purchasing staff's individual objectives or that they plan to do so. The reward of achieving PSR objectives is usually based upon a (existing) bonus system. | All but two interviewees reported that their employers have included PSR objectives into purchasing staff's individual objectives. Three out of five interviewees reported that PSR goals are even monetarily incentivized. |

Figure 58: Main study results (part 3)

| | Pre-study statement | Main study statement |
|--|---|--|
| Verification of PSR status of potential and existing suppliers | The majority of interviewees reported that currently their primary measure to achieve supplier compliance with PSR is conducted through supplier monitoring and controls followed by sanctions in case of non-compliance. At the same time, a few interviewees (Interviewee A3x and Interviewee A5x) emphasized that they are currently working on changing the current mode of operation towards less control and more collaboration. The aim is to train suppliers and enable them to alter their structures and processes according to the PSR requirements of focal firms. | The pre-study statements were confirmed. |
| | In general, the majority of interviewees responded that as a first step, organizations typically gather self-assessments on PSR from suppliers and require them to sign their code of conduct on PSR. Afterwards, focal companies use various methods to verify whether existing or potential suppliers comply with PSR requirements and whether the information provided in the self-assessments are true. All respondents reported that their employers or organizations they consult rely on frequent supplier audits, which are either announced or unannounced. External or group audits were mentioned as often as own audits. An additional measure, which was described by the majority of interviewees, is the verification of standard certificates. Furthermore, multiple interviewees reported that they rely on those suppliers who were already confirmed as PSR compliant by certain associations, rating agencies or databases such as BSCI, EcoVadis, Sedex or Bluesign. Interviewees pointed out that this method is less costly than audits and thus used whenever possible. Another less costly alternative is the acceptance of audits reports conducted or verified by competitors. | The pre-study statements were confirmed with the exception of verification of supplier PSR compliance based on reports conducted or verified by competitors. |
| Approach to handling supplier non-compliance | While a few respondents pointed out, that suppliers are not taken on that do not comply with PSR standards prior to the contract, the other interviewees reported that in case potential suppliers do not meet the necessary standards, they are provided with (on-site) trainings, advice and information to achieve the desired status. However, one exception mentioned by the majority of interviewees are zero-tolerance criteria – criteria that so strongly contradict PSR elements that a contract and support are ruled out. | The pre-study statements were confirmed. |
| | In general, with the exception of zero-tolerance criteria, which usually lead to an end of the contract for existing suppliers, once existing suppliers do not meet PSR requirements at a certain point in time, the majority of respondents reported that organizations offer these suppliers support to reach the desired PSR level. | The pre-study statements were confirmed. |
| | All respondents agree to have corrective measures in place that typically describe the required tasks and time frame to reach the desired PSR level again. While the minority of interviewees pointed out that they leave it to the suppliers to conduct the corrective measures, the majority reported that they support suppliers in the implementation of corrective measures. This support typically comprises discussions and knowledge sharing, (on-site) trainings and coaching. Once the deadline for corrective measures is reached and the supplier still has not met PSR requirements, all respondents agree on ending the contract. | The pre-study statements were confirmed. One additional example for corrective measures was provided: organization of supplier meetings, in which they can learn from each other and exchange information. |
| Approach to PSR non-compliance regarding suppliers over which focal firms have a low bargaining power | All interviewees responded that suppliers over which they have a low bargaining power are treated the same regarding PSR non-compliance as companies over which they have a high bargaining power. | Not asked in the main study |

Figure 59: Main study results (part 4)

| | Pre-study statement | Main study statement |
|---|---|--|
| PSR rollout: preparation of suppliers | The majority of respondents explained that their employers or organizations they consult prepared their suppliers for the PSR implementation. The preparation typically begun with explanations of the PSR background, reasons, scope and expectations, followed by a provision of the code of conduct, restricted substance lists, as well as (on-site) trainings or local seminars e.g. offered through CSR associations. As a next step suppliers were informed about first expected objectives in given timeframes. | The pre-study statements were confirmed. In addition, the majority of respondents mentioned that the preparation of suppliers was integrated into regular supplier visits / communication. |
| PSR rollout sequence | The majority of respondents pointed out that the PSR rollout was not conducted simultaneously for all suppliers. Instead it was either clustered by specific regions, products, revenue / purchasing volumes, by the ease of implementation or by PSR control measures. The benefit of an uneven rollout, as mentioned by one interviewee, is a rising learning curve how to best rollout PSR. | The pre-study statements were confirmed. For new suppliers, the majority of respondents agreed that once the code of conduct incl. PSR parameters is finalized, new suppliers receive this conduct attached to the contract with the request to sign both documents. In case they are not familiar with PSR, almost all respondents agreed that they provide information on PSR and trainings. Afterwards new suppliers are typically asked for a self-assessment incl. proof of specific certification and in a later phase are usually audited against PSR and other criteria. |
| Further buyer-supplier activities | The majority of interviewees described the following further buyer-supplier activities: collaboration through ongoing communication, trainings, on-site support, and enhancement of sustainable products. The ultimate objective is to enable suppliers to manage their PSR progress independently. | The pre-study statements were confirmed. |
| Tracking of PSR progress | The majority of interviewees reported that their organizations monitor and track their PSR progress. The examples on how PSR progress is tracked comprise four measures: - On the product level: share of products with a sustainable sourcing label - On the standards level: number of implemented standards in the supply chain - On the supplier level: number of suppliers that adhere to PSR requirements, e.g. according to audits; average PSR level of suppliers, e.g. some suppliers fulfill PSR requirements to a 100%, others to 70%, etc. - On the strategic level: target achievement per PSR KPI, e.g. number of PSR audits in a certain amount of time, reduction of CO2 in upstream supply chain, etc. | The pre-study statements were confirmed. |
| Communication of PSR progress and activities | The majority of interviewees reported that organizations communicate their PSR progress and activities both firm-internally and firm-externally. External communication is usually integrated into the annual report or the CSR / sustainability report, such as GRI4. | The pre-study statements were confirmed. |

Figure 60: Main study results (part 5)

| | Pre-study statement | Main study statement |
|---------------------------------------|--|--|
| Continuous improvement process | The majority of participants reported that their employers or organizations they consult have implemented a continuous PSR improvement process. However, the measures reported are quite different. For example, in one organization the continuous improvement process is based upon the extension of PSR KPIs per product, assuming that PSR measures have room for improvement per product. The organization evaluates each product on its PSR background and regularly sets the bar higher. Another example concentrates on a continuous PSR knowledge and information exchange with competitors with the objective to enhance PSR by finding further solutions for mutual problems. Others provided the example based on monitoring of PSR goal achievement. Here companies regularly formulate PSR goals to be reached in a specific time frame and review the goal achievement on a regular basis. The last example provided by two interviewees highlights the importance of external auditors, who are not only hired to review suppliers but to regularly review the focal company on their PSR achievements and suggest adjustments or additions. | The majority of respondents explained that their employers have implemented a continuous PSR improvement process. In contrast to the pre-study, neither the improvement process based upon the extension of PSR KPIs per product nor the example of external auditors were mentioned in the main study. Reported were two other methods of continuous improvement: the continuous PSR knowledge and information exchange with competitors (as described in the pre-study) and with other stakeholders such as NGO's, CSR associations, CSR auditing agencies, universities or suppliers (not mentioned in the pre-study) with the objective to enhance PSR knowledge and to find further solutions for common problems. Two interviewees reported that they focus on the continuous improvement process through an ongoing communication with their suppliers and support in the supplier's execution of corrective measures. Corresponding to the pre-study results, monitoring of PSR goal achievement was also reported. Furthermore, one interviewee pointed out that once a target is reached they start scouting for a higher one. |
| PSR vision | In general the majority of interview partners agree that PSR has become vital and is going to increase further along with the stakeholder demand to create full transparency on where products come from. Another aspect the majority of interview partners hope for is that in the future companies industry-wide will work closely together on PSR as this is believed to be a mutual process. The last aspect concerns the belief that the costs of implementing and maintaining PSR need to be transferred to the end customer. | Only two aspects from the pre-study were mentioned in the main study as well. One is the belief that the costs of implementing and maintaining PSR need to be transferred to the end customer and the other is the hope that in the future companies industry-wide will work closely together on PSR as this is believed to be a mutual process. An additional aspect to the pre-study, described by the majority of main study respondents is the hope that the terms CSR, PSR or sustainability will disappear to symbolize a new era of a holistic responsible business incl. responsible procurement which naturally involves sustainability, CSR, PSR and all other related terms. |
| PSR consequences | Two interviewees emphasized that next to the positive idea of PSR, the implementation also bears negative consequences: costs cannot be transferred to the customer and as such the organization suffers from lower margins due to financial investments in PSR. These costs include higher prices for raw materials, certifications, empowerment of suppliers in form of trainings, etc. as well as various speeches on this topic in diverse round tables (with stakeholders, industry networks etc.). | The answers of the main study respondents reflect to a large extent those of the pre-study. In the main study a few interviewees also mentioned that PSR implementation bears negative consequences in form of PSR setup and operational costs which cannot be transferred to the customer leading to lower margins. At the same time, the majority of main study participants outlined the positive effects of PSR. Furthermore, all participants agree that companies can only remain competitive in the long-run if they act sustainably. Another PSR consequence explained by the majority of interviewees is that currently more and more companies develop their own monitoring software. Thus, multiple interviewees pointed out that more industry-wide collaboration and a standardized monitoring system are needed as the solution to sustainable business is nothing that can be achieved independently but only with great numbers. A few interviewees mentioned that as a consequence of implementing PSR as one of the first companies, they now realize that it is time to make a shift from a sole focus on controlling suppliers to a stronger buyer-supplier collaboration. One interviewee mentioned that in order to strictly follow the idea of PSR, one needs employees with the corresponding sustainable mindset. |

Figure 61: Main study results (part 6)

6.3 End study results

The focus group participants reflected and discussed thoroughly the 5 sections of questions and challenged each other's opinions and experiences. All participants showed a large interest in the theme and results of this study and confirmed the increasing relevance of this topic. The next paragraphs follow the sequence of the 5 sections.

Please note: “Her/his/their firm/company/organization” refer to the employer of the participant. In case the interview participant was employed by a consultancy firm the answers provided reflect the best case examples of leading companies in PSR. The pronoun “he/his/him” is used as gender-neutral and may also apply to female interviewees.

1. Relevance of this study

All focus group partners confirmed the relevance of PSR in practice and especially the challenges of implementing this concept into organizations. In their opinion PSR implementation will become increasingly important due to changing mindsets of Western societies towards a stronger corporate responsibility and resulting stakeholder demands. Furthermore, the respondents agreed that while there is indeed plenty of information out there on CSR, there is only a few information on PSR and especially the issue of PSR implementation. As such, all participants expressed a large interest in this study and requested a copy of this dissertation and especially the results of the study with the aim to use this knowledge for enhancing the PSR efforts of their employers or organizations they consult.

2. Research approach

The feedback on the research approach gathered from the focus groups can be clustered into four themes: logic, writing style, comprehension, and practicality. While all participants expressed their satisfaction with the four themes, especially those two focus group participants holding a doctorate degree (Interviewee A19z and Interviewee A18z) acknowledged the structured, logical and methodologically sound approach of this study. None of the participants stated suggestions for improvement in any of the four themes.

3. Pre-study and main study results

In essence, almost all pre-study and main study statements were fully confirmed and acknowledged to be of high relevance in organizations. The next three figures provide an overview of the drivers and barriers to PSR implementation as well as measures to overcome these barriers, which were confirmed by the focus groups. Overall, all elements from the pre-study and main study were confirmed besides the driver “middle management support”. Moreover, no further additions were made, signaling that each of the three fields - drivers, barriers, and measures to overcome barriers - were sufficiently covered by the pre- and main study.

| | | | | End study |
|---------|------------------------------|--|---|-----------|
| Drivers | Internal | Motivation: economic self-interest / potential business benefits | Essential for long-term business survival and for improvement of financial performance | xx |
| | | | Through risk minimization (minimization of reputational damage to avoid loss of market share) | xx |
| | | | Through enhancing the relationship with shareholders and attracting future investors / better access to capital and investors | xx |
| | | | Through security of a continuous availability of products and raw materials | xx |
| | | Motivation: altruistic reasons | Willingness to invest in PSR | xx |
| | | | Companies' sense of responsibility and dedication to philanthropy | xx |
| | | | Commitment of top management | xx |
| | | | Founding purpose and time | xx |
| | | Pre-conditions | Technical capabilities | xx |
| | | | Sufficient financial, human, and technical resources | xx |
| | | | Support of purchasing department | xx |
| | | | Response to CSR department request | xx |
| | Response to employee request | | xx | |
| | Other | Cooperation with other stakeholders | xx | |
| | External | Pressures from a variety of stakeholders | Consumers | xx |
| | | | NGOs | xx |
| | | | Suppliers | xx |
| | | | Governments: current and anticipated laws and regulations | xx |
| | | Increased transparency | Transparency of upstream supply chain conditions | xx |

"xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees

"xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees

Figure 62: End study results: PSR drivers

| | | | | End study |
|---|----------|------------------------------|--|-----------|
| Barriers | Internal | Motivation | Lack of top management motivation to implement this concept | xx |
| | | | Lack of middle management motivation to implement this concept | xx |
| | | | Management's insufficient understanding of the importance and benefits / strategic relevance of this concept | xx |
| | | | General resistance to change the existing company culture / current mode of operation and adapt this concept | xx |
| | | Financial considerations | Lack of financial resources / necessary funds to implement and to maintain operations | xx |
| | | | Lack of financial support by top management / missing willingness to invest in the concept | xx |
| | | Non-financial considerations | Lack of required non-financial resources (e.g. human resources) to implement and operate this concept | xx |
| | | | Lack of support from purchasing department | xx |
| | | | Uncertainty about organizational (IT / technological) capabilities | xx |
| | | | Complexity of implementation | xx |
| | External | External requirements | Lack of (industry) regulations and laws on this concept | xx |
| | | | From consumers / customers | xx |
| | | | From suppliers | xx |
| "xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees | | | | |

Figure 63: End study results: PSR barriers

| Barriers | End study | Measures | End study |
|--|------------------|--|------------------|
| General resistance to change the existing company culture / current mode of operation and adapt this concept | xx | Communication and persuasion as well as compromises; Convincing of employees; Information and training of procurement staff to take ownership and responsibility for PSR | xx |
| Management's insufficient understanding of the importance and benefits / strategic relevance of this concept | xx | Top management's initiative to achieve visibility and demonstrate support to pursue this topic | xx |
| Complexity of implementation | xx | Engagement in multi-stakeholder-initiatives to gain respective knowledge and advice on PSR implementation | xx |
| "xx" = confirmed by the majority of interviewees; "x" = confirmed by the minority of interviewees | | | |

Figure 64: End study results: barriers and measures

The next figures on the following pages demonstrate which statements from the pre-study and main study were confirmed, highlighted and commented on by the focus groups. More precisely, each figure highlights the theme discussed, demonstrates the pre-study and main study statements, as well as discloses whether the focus groups have confirmed the pre-study and main study results. The last column summarizes the comments the focus groups made on each theme.

| | Pre-study statement | Main study statement | Focus groups confirmed the: | | Comments |
|--|---|---|-----------------------------|------------------------|--|
| | | | pre-study results | main study results | |
| PSR beginnings | While PSR has been discussed for a much longer period of time, prior to the actual implementation, the majority of companies within the consumer goods industry began implementing PSR between 2009 and 2014. | The first part of the pre-study statement was confirmed. However, the participants emphasized that the majority of companies within the consumer goods industry began implementing PSR between 2006 and 2013. | yes, to a large extent | yes, to a large extent | Both focus groups confirmed the first part of the statement and outlined that in general companies within the consumer goods industry implemented PSR some time between 2006 and 2014. |
| | The PSR implementation date depends on the industry. The consumer goods industry and especially the apparel sector begun earlier with implementing PSR than others. | Not mentioned. | no | n/a | Both focus groups discussed this statement. However, no consensus was found. |
| | PSR implementation is mainly an issue of MNCs. | Not mentioned. | yes, to a large extent | n/a | The majority of participants agreed that the pressure for MNCs to implement PSR is more intense compared to SMEs and as such it is currently mainly an issue of MNCs. However, in the future it is likely, that PSR will need to be implemented in all organizations, disregarding their size. |
| External requirements and drivers for PSR implementation | Growing social attention / stakeholder demand for this topic; external pressures from customers; external pressures from NGOs; external regulatory pressures. | The pre-study statement was almost entirely confirmed: external pressures from NGOs were not listed. Additional factors mentioned include supplier requests and transparency of upstream supply chain conditions. | yes | yes | All external requirements and drivers for PSR implementation (from the pre-study and main study) were confirmed. |
| Internal requirements and drivers for PSR implementation | Top management support and personal commitment; response to CSR department request; response to employee request; founding purpose and time; middle management support; support of purchasing department; sufficient financial, human, and technical resources; technical capabilities; willingness to invest in PSR; economic self-interest: avoidance / risk reduction of reputational damage from PSR scandals, security of continuous availability of products and raw materials, better access to capital / access to investors. | The pre-study statement was almost entirely confirmed: response to CSR department request, middle management support, and access to investors were not mentioned. Additional factors mentioned comprise cooperation with other stakeholders and altruistic reasons. | yes, to a large extent | yes | Both focus groups confirmed all main study statements and especially highlighted altruistic reasons for implementing PSR and the security of continuous availability of products and raw materials. Furthermore, all pre-study statements were confirmed besides middle management support. |
| Barriers to PSR implementation and corresponding measures | Lack of understanding of PSR importance (measure: top management's initiative to achieve visibility and demonstrate support to pursue this topic); resistance to change the current mode of operation (measure: extensive communication and training of employees); lack of resources (measure: not provided); lack of willingness to financially invest in PSR (measure: not provided); complexity of implementation (measure: not provided). | While the pre-study results were confirmed, one additional measure was provided to overcome the complexity of implementation (measure: engagement in multi-stakeholder-initiatives to gain respective knowledge and advice on PSR implementation). Another barrier outlined in the main study includes purchasing staff's conflict between margin and PSR (measure: this can be solved through intense discussions with the purchasing department and a strong tone from the top, asking for sustainable ways of conducting business. It has to be made transparent what the advantages and the reasons for PSR are in combination with what the competition is doing and what the customers want). | yes | yes | The participants confirmed the statements from the pre-study and main study. |

Figure 65: End study results (part 1)

| | Pre-study statement | Main study statement | Focus groups confirmed the: | | Comments |
|---|---|---|-----------------------------|--------------------|--|
| | | | pre-study results | main study results | |
| Current PSR status | Organizations are still being in the process of reaching a satisfactory and complete PSR implementation. | The participants view the current PSR status of their employers as very satisfactory. In comparison to their particular industry or region they view their employers as leading in PSR. | yes | n/a | As the company names of the main study participants were not disclosed, the focus groups were not able to verify the main study statement. All participants confirmed the pre-study statement. |
| PSR knowledge | Management consultants; own CSR or sustainability departments; industry networks; dialog with suppliers; dialog with stakeholders; dialog with CSR (audit) agencies; existing standards; own research; benchmarks; business contacts who are also confronted with PSR; external trainings and events; universities conducting research in this area; professional CSR associations. | The majority of the pre-study statements were confirmed. In the main study own CSR or sustainability departments were not mentioned. Dialog with stakeholders was enhanced in the main study by multi-stakeholder-initiatives. An additional factor mentioned was hiring of professionals with the specific PSR background. | yes | yes | The participants confirmed the statements from the pre-study and main study. Especially management consultants were acknowledged as an important source of knowledge. |
| PSR dimensions | Social, environmental, and economic dimension, acknowledging that the economic dimensions was mentioned seldom compared to the other two. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the three dimensions, acknowledging that the economic dimensions receives less attention in the business world. |
| Orientation framework for PSR scope clarification and scope emphasis | Organizations put a specific emphasis on a particular PSR scope. In order to do so, organizations turn to internal and external sources. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| | External sources comprise existing legal regulations, certifications, and (industry) (reporting) standards, PSR benchmarks and industry networks. | The pre-study statements were all confirmed and enhanced by further external sources: NGOs, recommendations of consulting firms, and multi-stakeholder initiatives. | yes | yes | Both focus groups agreed on the presented external sources in the pre-study and main study. |
| | Internal sources comprise a company's own understanding of industry emphasis in deciding upon the PSR scope and focus, system and process capacities and monitoring capabilities. Moreover, PSR scope should comprise those criteria that are measurable, such as certificates. Realistic subjective assumptions of what suppliers can achieve - also depending on regions of suppliers and their major concerns - in regards to PSR are also often considered. The last scope delimitation outlines that the PSR scope can only go as far as long as it does not negatively affect the firm's margin and retail price for consumers. | The pre-study statements were almost entirely confirmed. Aspects that were not mentioned include a company's own understanding of industry emphasis in deciding upon the PSR scope and focus and the focus on measurable criteria. One additional aspect mentioned in the main study are scope delimitations based upon materiality assessments. | yes | yes | All participants agreed on the pre-study and main study statements. |
| PSR strategy | Leading PSR organizations have a PSR strategy in place, even though the depth of strategy may differ. In general, the PSR strategy needs to be continuously adapted as PSR expertise – driven internally by those responsible for PSR and externally by the company's stakeholders – grows. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| Integration of PSR strategy and objectives | An essential step in deciding upon the right PSR approach is to determine what the company brand should represent and align the PSR scope, measures and objectives in accordance with general strategic business parameters as well as with the overall CSR / sustainability goals as this signals the importance of the topic. | The pre-study statements were confirmed. In addition to that, a few respondents outlined that the PSR strategy should be part of the overall sustainable strategy or in other words should be derived from the general sustainable business strategy. According to a few respondents, without a holistic sustainable strategy, PSR is usually not implemented. The majority of main study respondents further outlined that once the PSR strategy is formulated, clear measures and guides to reach PSR objectives are developed. | yes | yes | All participants agreed on the pre-study and main study statements. |

Figure 66: End study results (part 2)

| | Pre-study statement | Main study statement | Focus groups confirmed the: | | Comments |
|--|---|---|-----------------------------|--------------------|--|
| | | | pre-study results | main study results | |
| Business case | A few respondents calculated a PSR business case: however, most focused solely on the cost-side of the business case, as benefits are difficult to measure. | The pre-study statements were confirmed. | yes | yes | Both focus groups agreed that a PSR business case is usually conducted. However, it usually only considers the cost-side of the business case. |
| PSR reach | While the majority of respondents confirmed that the ultimate goal is to implement PSR in its entire scope in the upstream supply chain, a few respondents follow the objective to ensure compliance for basic PSR requirements for all suppliers and advanced PSR requirements for specific groups of suppliers. The majority of interviewees reported that they only require their direct / tier 1 suppliers to follow (advanced) PSR requirements who are then requested to pass on the PSR requirements to their suppliers. The reason provided is that legally focal firms have only contracts with their direct suppliers. Besides the tier grouping, suppliers may also be categorized according to the following attributes: by suppliers with the largest purchasing volume, by risk assumptions, by product groups, by supplier market positioning, by length and intensity of supplier relationship or by suppliers with a strategic importance. | The objective regarding PSR reach was not answered. All respondents outlined that currently they do not treat all suppliers equally regarding PSR measures. The majority reported that they only require their direct / tier 1 suppliers to follow PSR requirements, who are then requested to pass on the PSR requirements to their suppliers. The reasons and methods reported correspond to the pre-study answers. Not mentioned in the main study: by supplier market positioning, by length and intensity of supplier relationship or by suppliers with a strategic importance. Additional method: supplier categorization depending on supplier conditions. | yes | yes | All participants agreed on the pre-study and main study statements. |
| Those responsible for PSR | Almost half of the respondents mentioned that the implementation of PSR is a company-wide challenge. Thus, those responsible for PSR implementation usually stem from multiple disciplines such as top management, CSR department, purchasing department, strategy / business development department, who together formulate the PSR approach and build a project team required for the implementation. In addition to this, a few respondents mentioned that in order to maintain PSR, a central CSR or PSR team is required, again in form of an interdisciplinary team. This ensures that PSR is not only integrated in purchasing but also throughout the entire product lifecycle. One interviewee pointed out that this team should follow PSR and their departmental objectives at the same time, leading to a stronger awareness and responsibility for PSR. The other half of respondents reported that PSR was integrated into the existing purchasing department. No separate team was created. | The pre-study statements were almost entirely confirmed. The difference here is that the majority of respondents agreed that a central interdisciplinary CSR team (including PSR) was set up, while only one interviewee reported that PSR was integrated into the purchasing department. | yes, to a large extent | yes | Both focus groups agreed that PSR should be bundled within a central interdisciplinary CSR team to concentrate all sustainability concepts in one uniform team. However, the purchasing department needs to have a strong interface to the central CSR team. |
| | Usually there is a head of CSR or PSR, which is a direct report to the management board. The interdisciplinary PSR team however usually reports to their individual department head. | The central interdisciplinary CSR team usually has a head of the team who is a direct report to the CEO and coordinates all sustainability efforts in the departments. | yes, partially | yes | All participants reported that usually the head of this particular team is a direct report to the CEO. |
| Preparation of purchasing staff | The majority of interviewees reported that their employers or firms they have worked for organize trainings for their purchasing staff to raise awareness and provide the necessary know-how on PSR. Two interviewees mentioned that this task is conducted by the CSR department. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| PSR implementation steps | 1. step: organizations clarify their PSR scope and reach as well as designate and prepare those responsible for PSR implementation and maintenance 2. step: organizations try to achieve transparency over their upstream supply chain for which they often extend their IT tools and systems 3. step: organizations determine their requirements / KPIs for suppliers (and eventually zero tolerance criteria, that hinder or end contracts with suppliers), which are usually derived from PSR scope and are attached to the existing classic commercial KPIs 4. step: KPIs and requirements are typically included in the code of conduct 5. step: PSR measuring instruments are determined, e.g. the frequency and type of audits 6. step: suppliers are informed of the upcoming PSR expectations and prepared for the rollout wherever necessary 7. step: supplier audits for (specific groups of) are conducted to determine the PSR status quo and compare and document the gap between the current and desired status 8. step: a gradual PSR rollout is conducted | The pre-study statements were confirmed. In addition to step 2, almost all interviewees responded that their employers developed own specific CSR databases to collect and analyze supplier data based on audit criteria. In addition to step 5, the respondents further outlined that their employers developed process descriptions for audits, documentation, collaboration with suppliers etc., followed by a development of a project plan describing which objectives should be reached by when. | yes | yes | All participants agreed on the pre-study and main study statements. |

Figure 67: End study results (part 3)

| | Pre-study statement | Main study statement | Focus groups confirmed the: | | Comments |
|--|---|---|-----------------------------|--------------------|--|
| | | | pre-study results | main study results | |
| Organizational changes required for PSR | Process changes involve adaptations in gathering and evaluating supplier information, changes in the merchandise management system and the integration of new processes regarding supplier selection and compliance. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| Integration of PSR objectives into purchasing staff's individual goals | All interviewees agreed that their employers or organizations they consult have either already included PSR objectives into purchasing staff's individual objectives or that they plan to do so. The reward of achieving PSR objectives is usually based upon a (existing) bonus system. | All but two interviewees reported that their employers have included PSR objectives into purchasing staff's individual objectives. Three out of five interviewees reported that PSR goals are even monetarily incentivized. | yes | yes | All participants agreed on the pre-study and main study statements. |
| Verification of PSR status of potential and existing suppliers | The majority of interviewees reported that currently their primary measure to achieve supplier compliance with PSR is conducted through supplier monitoring and controls followed by sanctions in case of non-compliance. At the same time, a few interviewees (Interviewee A3x and Interviewee A5x) emphasized that they are currently working on changing the current mode of operation towards less control and more collaboration. The aim is to train suppliers and enable them to alter their structures and processes according to the PSR requirements of focal firms. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| | In general, the majority of interviewees responded that as a first step, organizations typically gather self-assessments on PSR from suppliers and require them to sign their code of conduct on PSR. Afterwards, focal companies use various methods to verify whether existing or potential suppliers comply with PSR requirements and whether the information provided in the self-assessments are true. All respondents reported that their employers or organizations they consult rely on frequent supplier audits, which are either announced or unannounced. External or group audits were mentioned as often as own audits. An additional measure, which was described by the majority of interviewees, is the verification of standard certificates. Furthermore, multiple interviewees reported that they rely on those suppliers who were already confirmed as PSR compliant by certain associations, rating agencies or databases such as BSCI, EcoVadis, Sedex or Bluesign. Interviewees pointed out that this method is less costly than audits and thus used whenever possible. Another less costly alternative is the acceptance of audits reports conducted or verified by competitors. | The pre-study statements were confirmed with the exception of verification of supplier PSR compliance based on reports conducted or verified by competitors. | yes, to a large extent | yes | The participants agreed on the main study statements, excluding the consideration of competitor reports. |
| Approach to handling supplier non-compliance | While a few respondents pointed out, that suppliers are not taken on that do not comply with PSR standards prior to the contract, the other interviewees reported that in case potential suppliers do not meet the necessary standards, they are provided with (on-site) trainings, advice and information to achieve the desired status. However, one exception mentioned by the majority of interviewees are zero-tolerance criteria – criteria that so strongly contradict PSR elements that a contract and support are ruled out. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| | In general, with the exception of zero-tolerance criteria, which usually lead to an end of the contract for existing suppliers, once existing suppliers do not meet PSR requirements at a certain point in time, the majority of respondents reported that organizations offer these suppliers support to reach the desired PSR level. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| | All respondents agree to have corrective measures in place that typically describe the required tasks and time frame to reach the desired PSR level again. While the minority of interviewees pointed out that they leave it to the suppliers to conduct the corrective measures, the majority reported that they support suppliers in the implementation of corrective measures. This support typically comprises discussions and knowledge sharing, (on-site) trainings and coaching. Once the deadline for corrective measures is reached and the supplier still has not met PSR requirements, all respondents agree on ending the contract. | The pre-study statements were confirmed. One additional example for corrective measures was provided: organization of supplier meetings, in which they can learn from each other and exchange information. | yes | yes | All participants agreed on the pre-study and main study statements. |
| Approach to PSR non-compliance regarding suppliers over which focal firms have a low bargaining power | All interviewees responded that suppliers over which they have a low bargaining power are treated the same regarding PSR non-compliance as companies over which they have a high bargaining power. | Not asked in the main study | yes | n/a | Both focus groups agreed on the pre-study statement. |

Figure 68: End study results (part 4)

| | Pre-study statement | Main study statement | Focus groups confirmed the: | | Comments |
|---|--|---|-----------------------------|--------------------|---|
| | | | pre-study results | main study results | |
| PSR rollout: preparation of suppliers | The majority of respondents explained that their employers or organizations they consult prepared their suppliers for the PSR implementation. The preparation typically begun with explanations of the PSR background, reasons, scope and expectations, followed by a provision of the code of conduct, restricted substance lists, as well as (on-site) trainings or local seminars e.g. offered through CSR associations. As a next step suppliers were informed about first expected objectives in given timeframes. | The pre-study statements were confirmed. In addition, the majority of respondents mentioned that the preparation of suppliers was integrated into regular supplier visits / communication. | yes | yes | All participants agreed on the pre-study and main study statements. |
| PSR rollout sequence | The majority of respondents pointed out that the PSR rollout was not conducted simultaneously for all suppliers. Instead it was either clustered by specific regions, products, revenue / purchasing volumes, by the ease of implementation or by PSR control measures. The benefit of an uneven rollout, as mentioned by one interviewee, is a rising learning curve how to best rollout PSR. | The pre-study statements were confirmed. For new suppliers, the majority of respondents agreed that once the code of conduct incl. PSR parameters is finalized, new suppliers receive this conduct attached to the contract with the request to sign both documents. In case they are not familiar with PSR, almost all respondents agreed that they provide information on PSR and trainings. Afterwards new suppliers are typically asked for a self-assessment incl. proof of specific certification and in a later phase are usually audited against PSR and other criteria. | yes | yes | All participants agreed on the pre-study and main study statements. |
| Further buyer-supplier activities | The majority of interviewees described the following further buyer-supplier activities: collaboration through ongoing communication, trainings, on-site support, and enhancement of sustainable products. The ultimate objective is to enable suppliers to manage their PSR progress independently. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| Tracking of PSR progress | The majority of interviewees reported that their organizations monitor and track their PSR progress. The examples on how PSR progress is tracked comprise four measures: - On the product level: share of products with a sustainable sourcing label - On the standards level: number of implemented standards in the supply chain - On the supplier level: number of suppliers that adhere to PSR requirements, e.g. according to audits; average PSR level of suppliers, e.g. some suppliers fulfill PSR requirements to a 100%, others to 70%, etc. - On the strategic level: target achievement per PSR KPI, e.g. number of PSR audits in a certain amount of time, reduction of CO2 in upstream supply chain, etc. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| Communication of PSR progress and activities | The majority of interviewees reported that organizations communicate their PSR progress and activities both firm-internally and firm-externally. External communication is usually integrated into the annual report or the CSR / sustainability report, such as GRI4. | The pre-study statements were confirmed. | yes | yes | All participants agreed on the pre-study and main study statements. |
| Continuous improvement process | The majority of participants reported that their employers or organizations they consult have implemented a continuous PSR improvement process. However, the measures reported are quite different. For example, in one organization the continuous improvement process is based upon the extension of PSR KPIs per product, assuming that PSR measures have room for improvement per product. The organization evaluates each product on its PSR background and regularly sets the bar higher. Another example concentrates on a continuous PSR knowledge and information exchange with competitors with the objective to enhance PSR by finding further solutions for mutual problems. Others provided the example based on monitoring of PSR goal achievement. Here companies regularly formulate PSR goals to be reached in a specific time frame and review the goal achievement on a regular basis. The last example provided by two interviewees highlights the importance of external auditors, who are not only hired to review suppliers but to regularly review the focal company on their PSR achievements and suggest adjustments or additions. | The majority of respondents explained that their employers have implemented a continuous PSR improvement process. In contrast to the pre-study, neither the improvement process based upon the extension of PSR KPIs per product nor the example of external auditors were mentioned in the main study. Reported were two other methods of continuous improvement: the continuous PSR knowledge and information exchange with competitors (as described in the pre-study) and with other stakeholders such as NGO's, CSR associations, CSR auditing agencies, universities or suppliers (not mentioned in the pre-study) with the objective to enhance PSR knowledge and to find further solutions for common problems. | yes | yes | All participants agreed on the pre-study and main study statements, while they especially highlighted the importance of a continuous exchange with competitors. |

Figure 69: End study results (part 5)

| | Pre-study statement | Main study statement | Focus groups confirmed the: | | Comments |
|-------------------------|---|--|-----------------------------|--------------------|---|
| | | | pre-study results | main study results | |
| PSR vision | In general the majority of interview partners agree that PSR has become vital and is going to increase further along with the stakeholder demand to create full transparency on where products come from. Another aspect the majority of interview partners hope for is that in the future companies industry-wide will work closely together on PSR as this is believed to be a mutual process. The last aspect concerns the belief that the costs of implementing and maintaining PSR need to be transferred to the end customer. | Only two aspects from the pre-study were mentioned in the main study as well. One is the belief that the costs of implementing and maintaining PSR need to be transferred to the end customer and the other is the hope that in the future companies industry-wide will work closely together on PSR as this is believed to be a mutual process. An additional aspect to the pre-study, described by the majority of main study respondents is the hope that the terms CSR, PSR or sustainability will disappear to symbolize a new era of a holistic responsible business incl. responsible procurement which naturally involves sustainability, CSR, PSR and all other related terms. | yes | yes | All participants agreed on the pre-study and main study statements, while they especially highlighted the move from control to more collaboration with suppliers. |
| PSR consequences | Two interviewees emphasized that next to the positive idea of PSR, the implementation also bears negative consequences: costs cannot be transferred to the customer and as such the organization suffers from lower margins due to financial investments in PSR. These costs include higher prices for raw materials, certifications, empowerment of suppliers in form of trainings, etc. as well as various speeches on this topic in diverse round tables (with stakeholders, industry networks etc.). | The participants also mention PSR costs and a decline in margins. At the same time, the majority of main study participants outlined the positive effects of PSR. Furthermore, all participants agree that companies can only remain competitive in the long-run if they act sustainably. Furthermore, multiple interviewees pointed out that more industry-wide collaboration and a standardized monitoring system are needed as the solution to sustainable business is nothing that can be achieved independently. A few interviewees further stated that it is time to make a shift from a sole focus on controlling suppliers to a stronger buyer-supplier collaboration. One interviewee mentioned that in order to strictly follow the idea of PSR, one needs employees with the corresponding sustainable mindset. | yes | yes | All participants agreed on the pre-study and main study statements, while they especially highlighted the need for industry-wide collaboration on PSR. |

Figure 70: End study results (part 6)

Turning to the answers regarding the first part of the preliminary Strategic PSR Implementation Framework, implementation measures, both focus groups confirmed the listed measures with the exception of **“encouragement of the application of standards in the upstream supply chain”** and **“development of a common infrastructure and understanding”**. While the majority of participants agree that the application of standards is often required for suppliers, the interviewees do not perceive this as a key strategic PSR implementation measure but rather as a tool used in monitoring PSR compliance of suppliers. Furthermore, in addition to the listed measures, another key implementation measure was suggested by the focus groups, the **“formulation of a PSR strategy”**. Apart from these two exceptions and one addition, all participants agreed that the framework fully covers all major tasks that need to be conducted in order to successfully implement PSR.

The following paragraphs provide an overview of the focus groups statements regarding the preliminary Strategic PSR Implementation Framework.

- **Clarification of the purpose of PSR implementation:**

In both focus groups the respondents agreed that one of the key strategic steps for PSR implementation is the clarification of the purpose of implementation. The interviewees outlined that this measure shapes the way forward e.g. in terms of the decision upon PSR scope and the decision upon the degree of responsibility. As one interviewee (Interviewee A17z) summarized

“It is of utmost importance that organizations assess their capabilities and answer the question regarding the purpose of implementation honestly. If e.g. they set the bar too high, the implementation will create a large operational burden. Therefore, when formulating the purpose and strategy of PSR, on the one hand the link and fit to the overall business strategy needs to be established and on the other hand own capabilities and resources need to be assessed”.

- **Integration of PSR into CSR, SSCM, and the overall business strategy:**

With regard to the last paragraph, the focus group participants confirmed that the PSR strategy needs to be integrated and needs to fit to the overall business, sustainability or CSR strategy. A few participants (Interviewee A16z, Interviewee A20z, and Interviewee 21z) outlined that this is usually conducted in several workshops at the top management level in which the elements of the existing strategies are discussed and enhanced with PSR elements to ultimately derive a complete PSR strategy. One interviewee (Interviewee A16z) explained that for this a matrix was used demonstrating the importance level and implementation complexity level for each strategic element to simplify the discussion.

- **Formulation of a PSR strategy:**

While this step was not explicitly articulated in the pre-study and main study as a key strategic implementation measure, the focus group participants agreed that the formulation of a PSR strategy is indeed an important

measure, referring to the two steps explained above. As such, the participants suggested to include this step into the framework. Furthermore, the interviewees emphasized that a PSR strategy is not written in stone, but reviewed and adjusted on a regular basis to meet stakeholder demands.

- **As-is analysis:**

The respondents further outlined that usually companies already have certain (parts of) PSR activities in place without formally recognizing them as PSR. Therefore, it is important to review the entire supply chain and bundle PSR activities under one umbrella prior to formulating PSR measures.

- **Benchmarking:**

While the majority of focus group participants view benchmarking as a very important tool to derive PSR knowledge and best practices from, at the same time the interviewees emphasized that this is usually not conducted as a formal benchmark but rather as an open dialogue with competitors.

- **Clarification of ethical basis:**

While the participants agreed that generally the ethical basis needs to be clarified and summarized in a code of conduct, at the same time all interviewees working at the target MNCs reported that they have one ethical standard that applies to all suppliers in all regions. This reduces the complexity regarding coaching suppliers on PSR requirements and regarding supplier monitoring.

- **Alignment of the PSR strategy with existing business initiatives and structure:**

Similar to the integration of the PSR strategy into the overall business strategy, according to the focus groups PSR should also be connected with existing business service lines such as Human Resources and IT management. As multiple respondents emphasized, especially the integration of the PSR strategy into existing IT systems is very useful (Interviewee A16z, Interviewee A18z, Interviewee A19z, and Interviewee A21z). For example, adjustments in IT systems are required to allow supplier data collection and analysis of supplier PSR performance. From the

Human Resources perspective, the respondents agreed that new roles, positions and tasks that are required to implement and maintain PSR need to be clarified, confirming the other key implementation measure “**adaption of the organizational structure / setup of an implementation project team**”. All focus groups participants reported that those responsible for PSR implementation usually stem from multiple business disciplines such as top management, CSR department and purchasing department, who together determine the PSR approach and build a project team required for the implementation. The actual operation of PSR is then either conducted by the purchasing department or by a central sustainability / CSR team that oversees and bundles CSR topics and subtopics such as PSR and ensures that it is followed completely. While there was no consensus found on which team setup is superior, the focus group participants agreed that the head of this particular team is a direct report to the CEO. Furthermore, the participants agreed that those responsible for PSR operations are prepared for their new tasks through training and workshops.

- **Integration of PSR goals into employee performance measures:**

Based upon the above-mentioned measure, the majority of focus group respondents confirmed that their employers or the companies they consult on sustainability matters have usually implemented PSR goals into purchasing staffs' performance measures. However, the method used varies from one company to another. A few interviewees (Interviewee A16z and Interviewee A19z) reported that their employers monetarily incentivize their purchasing employees to fulfill certain PSR KPIs such as a specific amount of suppliers in the database that are classified as ‘top PSR performers’, while others do not monetarily incentivize their employees and formulate rather qualitative PSR goals, such as the proactive communication of PSR guidelines to suppliers.

- **Integration of stakeholders:**

All respondents agreed that the integration of stakeholders - and hereby especially NGOs, governmental bodies, consultancies specialized in customer analysis or sustainability - is essential in the process of PSR implementation but also beyond the implementation in form of a continuous

stakeholder dialogue. Engagement in multi-stakeholder-initiatives may be used to gain respective knowledge and advice on PSR implementation as well as on changing customer demands, perspectives, and innovative processes and technologies that may be useful for PSR operations.

- **Clarification of the optimal set and scope of PSR initiatives and translation of the PSR goals into clear objectives:**

All focus group participants agreed that this measure is key to PSR implementation. In order to clarify the scope of PSR initiatives and translate these into clear objectives, organizations typically turn to a number of different sources ranging from certifications, and (industry) (reporting) standards such as the UN Global Compact, GRI Reporting Standard, ILO Conventions, BSCI, ISO14001, OECD Guidelines, Fairtrade, and REACH, to benchmarks, consulting firms, and industry networks. Next to the sources of knowledge to determine the scope and PSR objectives, organizations use various methods to delimitate the PSR scope. These methods include the consideration of own capabilities regarding monitoring suppliers, own understanding of industry emphasis, as well as hot spot analyses and materiality assessments. Overall, the respondents agree that the PSR emphasis is volatile, meaning that PSR objectives are regularly adjusted to meet (new) stakeholder demands.

- **Decision upon the degree of responsibility:**

This measure was also fully confirmed by both focus groups. The respondents outlined that even though the ultimate goal for organizations should be to implement PSR in the entire upstream supply chain, in practice this does not happen due to limited resources. As such, organizations need to decide how many suppliers the firm can and wants to be responsible for in regards to PSR. The majority of respondents reported that they either only require their direct / tier 1 suppliers or those suppliers with the highest purchasing value or volume to follow PSR requirements, who are then requested to pass on the PSR requirements to their suppliers.

- **Understanding of own buying power:**

The respondents reported that this measure is conducted on a rather ad-hoc basis during PSR implementation whenever organizations stumble over large suppliers over which they have a low buying power. While all respondents agreed that PSR requirements should apply to all suppliers disregarding their size or power, whenever it seems difficult to convince particular suppliers to follow PSR guidelines, organizations estimate their buying power and in case it is not sufficient, they engage in buying alliances with other firms to increase their buying power.

- **Preparation of a business case:**

Both focus groups agreed that a PSR business case is usually conducted to ensure sufficient financial resources, however, mostly only considering the cost-side of the business case as the benefits are difficult to measure.

- **Communication of PSR measures:**

The majority of interviewees reported that their employers communicate their PSR progress and activities both firm-internally through the workshops and the intranet and firm-externally by integrating PSR information into the sustainability report, such as GRI4.

- **Development of PSR performance indicators for supplier selection and monitoring:**

All respondents agreed that PSR KPIs as well as zero-tolerance criteria to select and monitor suppliers need to be developed and integrated into the code of conduct or supplier contracts. These KPIs are usually derived from PSR scope or prominent standards such as the SA 8000, BSCI, or ISO14000.

- **Decision upon the right approach to roll out PSR implementation:**

The focus group participants confirmed that organizations need to determine how they plan to roll out PSR implementation. In their experience PSR rollout happens gradually, usually beginning with information provision to suppliers, including the new code of conduct and contract as well as an overview of the new PSR requirements. In case suppliers are not familiar

with PSR, almost all respondents agreed that focal firms provide information on PSR and PSR training. Afterwards suppliers are typically asked for a PSR self-assessment incl. proof of specific certification. In a later phase, once suppliers had the chance to implement PSR measures, suppliers are usually audited against PSR and other criteria to verify the status quo and compare and document the gap between the current and desired status in order to in the next step either support suppliers to reach the desired status or end contracts with suppliers that are unlikely to meet the desired status. The respondents further outlined that organizations usually cluster suppliers into specific groups, e.g. by product, purchasing volume / value, or strategic importance, to audit them sequentially group by group.

- **Decision upon the right approach to information provision for existing and potential suppliers:**

As already mentioned in the previous paragraph, the focus groups confirmed that suppliers are informed about (upcoming) PSR requirements. As such, organizations need to decide how this information provision should be tackled. The majority of participants reported that organizations usually integrate the information provision into existing regular supplier meetings while at the same time distributing written correspondence explaining the measures that need to be undertaken by the suppliers, including background information and an overview of expectations, followed by a provision of the code of conduct. The majority of interviewees reported that their employers or firms they have worked for provide training for their suppliers to get familiar with PSR. Overall, the majority of interviewees agreed that PSR knowledge is continuously enhanced through training and workshops.

- **Decision upon the right approach to select suppliers:**

All interviewees confirmed that a decision upon the right approach to select suppliers was key to the PSR implementation process. Those organizations the focus group participants are familiar with typically gather self-assessments on PSR from suppliers and require them to sign their code of conduct on PSR. As a second step these firms verify whether the potential new suppliers comply with PSR requirements and whether the information provided in the self-assessments are true. To do so, the respondents

reported that their employers or organizations they consult rely on frequent supplier audits, which are either announced or unannounced. Here, the majority of respondents confirmed to use external audits, verification of standard certificates, as well as audit reports of specific associations such as BSCI.

- **Decision upon the right approach to monitor supplier performance:**

Once the decision is made regarding the approach to select suppliers, the respondents agreed that focal firms need to decide upon how they want to monitor supplier performance regarding PSR. In this step companies usually determine the frequency and type of audits (announced / unannounced, internal / external / group audits), as well as the type and number of standards and certificates they expect their suppliers to obtain. Here, the respondents did not find a consensus which frequency and type of audits is superior. All respondents follow a different philosophy. What needs to be emphasized is that in general the respondents agree that in the long-term they plan to refrain from controls and engage in a more collaborative and trustful way of working with suppliers on PSR. However, in the near future all respondents agreed on a formal supplier monitoring.

- **Decision upon the right approach to handle supplier non-compliance:**

Adding on to the previous paragraph, the respondents agreed that whenever their suppliers do not meet PSR requirements, specific non-compliance measures are to be taken. These need to be determined and communicated to the suppliers prior to the PSR rollout, so that the suppliers are aware of the consequences. The measures reported by the focus group participants correspond to those mentioned in the pre-study and main study: half of the respondents (Interviewee A16z, Interviewee A20z, and Interviewee A21z) reported that suppliers are not taken on that do not comply with PSR standards prior to the contract and the other half (Interviewee A17z, Interviewee A18z, and Interviewee A19z) reported that in case potential suppliers do not meet the necessary standards, they are provided with training, advice and information to achieve the desired status. However, one exception mentioned by all interviewees are zero-tolerance criteria - criteria that so strongly contradict PSR elements that a contract and support are

ruled out. The same applies to existing suppliers: in case zero-tolerance criteria are found, contracts with these suppliers are ended, while in case of other issues that do not correspond to the PSR requirements at a certain point in time, corrective measures are implemented. In that case, contracts are often being paused until the desired status is reached again. Also, the majority of respondents agreed to support suppliers to implement corrective measures through knowledge sharing, (on-site) training and coaching. However, once the deadline for corrective measures is reached and the supplier still has not met PSR requirements, all respondents agree on ending the contract.

- **Decision upon further buyer-supplier activities:**

All respondents agreed that the companies they work with / for, have determined further buyer-supplier activities to support suppliers in the implementation of PSR with the aim to enable suppliers to manage their PSR progress independently. These measures comprise an ongoing communication and knowledge exchange, training, on-site support, and enhancement of sustainable products. Furthermore, multiple interviewees (Interviewee A18z, Interviewee A20z, and Interviewee A21z) reported that organizations offer PSR compliance rewards such as exclusive rights to deliver specific products to the buying firm, loans and joint investments in required technologies and machines.

- **Determination of how to measure own progress and performance:**

Both focus groups reported that their employers or clients have all determined how to measure own PSR progress and performance. Furthermore, the respondents confirmed the provided measures in the pre-study and main study how to monitor PSR status on the product level, standards level, supplier level, as well as on the strategic level. No further examples were provided.

In summary, the discussions of the focus groups led to the following adjustments (see Figure 71 on the next page) regarding the first part of the preliminary Strategic PSR Implementation Framework.

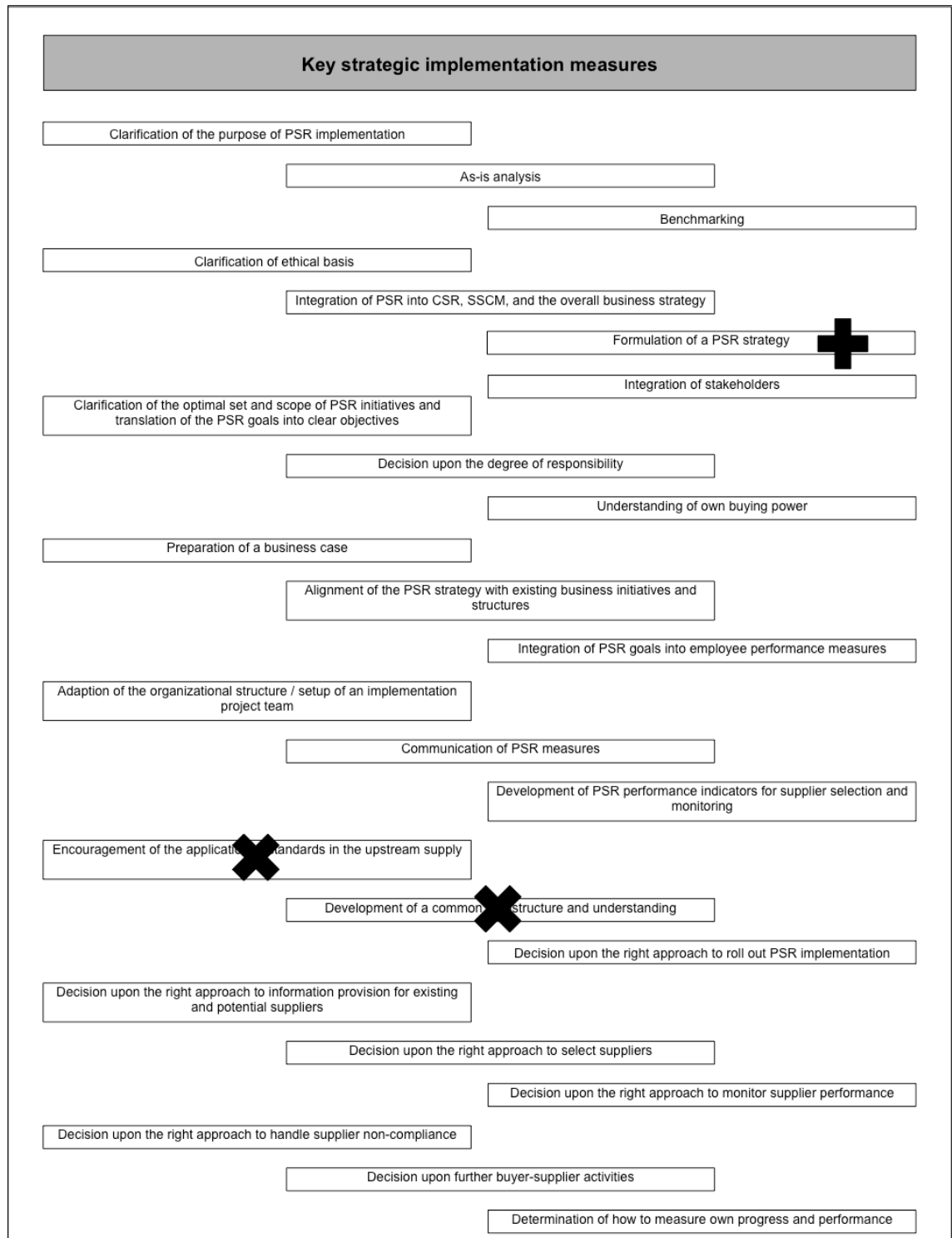


Figure 71: End study results: (preliminary) framework (part 1)

- **Continuous improvement activities:**

While the presented two elements of the second part of the preliminary Strategic PSR Implementation Framework - continuous improvement activities (regular external audits and stakeholder dialogue) - were confirmed

in the end study, further elements were added by the focus groups following the discussions of the pre-study and main study results comprising the continuous exchange on PSR with competitors (confirmed in the pre-study, main study, and end study), continuous extension of PSR KPIs per product (confirmed in the pre-study and end study), and the continuous review and extension of PSR objectives (confirmed in the pre-study, main study, and end study).

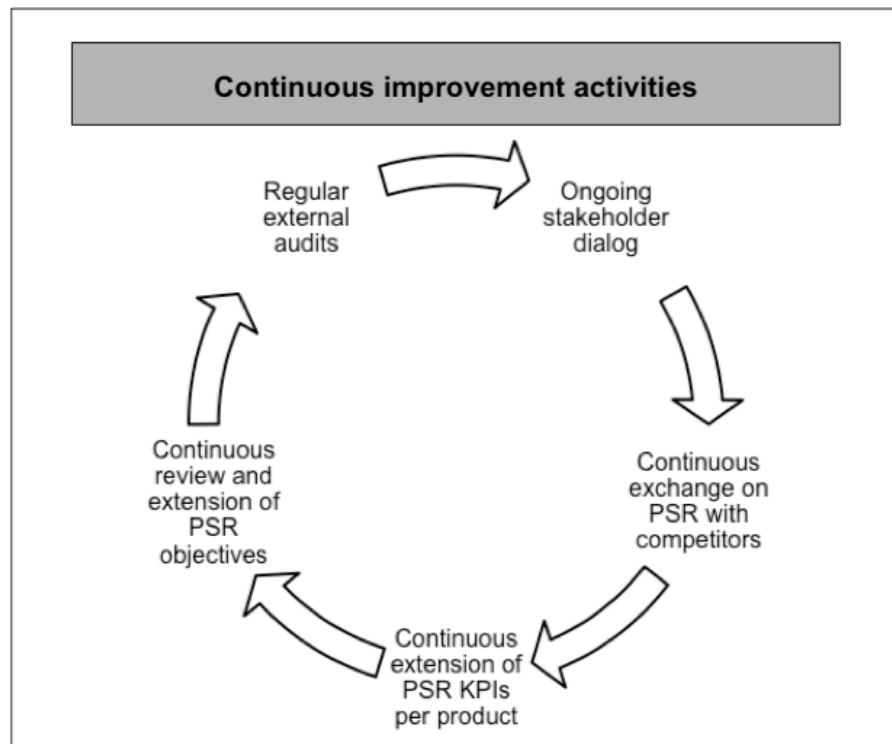


Figure 72: End study results: (preliminary) framework (part 2)

4. Generalizability of pre-study and main study results

All six participants could strongly identify with the study's results including the preliminary Strategic PSR Implementation Framework and quotes from the pre-study and main study. The participants explained that a similar PSR implementation approach, challenges as well as situations can be observed in their respective companies or the companies they consult. Moreover, it was clearly stated that the focus and results of this research are relevant to more companies and industries than the ones used in this study to identify

interview participants from. Nonetheless, to verify whether the results apply to other companies and industries, future research is required.

5. General remarks

While none of the focus group participants expressed weaknesses of this study, several strengths of this study were mentioned: its relevance for practice, logical structure, methodological approach and especially the integration of practitioner voices into this study, a comprehensible and clear writing style, and ultimately the practicality of results which may be used as a benchmark to implement PSR for practitioners. Among the aspects for future research, the participants mentioned to conduct a similar study considering alternative industries, regions, as well as changing the focus from MNCs to SMEs.

7 Discussion

This chapter discusses and critically examines the findings of the qualitative study and compares them with academic literature. Furthermore, answers to the research question and subquestions are provided and the final Strategic PSR Implementation Framework - based on a combination of academic knowledge and on the results of the qualitative study - is presented.

In essence, the results of the qualitative study confirm the existing academic literature on CSR, SSCM, and PSR to a large extent as well as fill the gaps of research and enhance existing academic knowledge.

The next subchapters follow the sequence of the research subquestions. The first subchapter discusses the results regarding the drivers of PSR implementation (research subquestion 1). The second subchapter focuses on the barriers to PSR implementation and further answers, which barriers ultimately apply to the case of PSR implementation, followed by an overview of how organizations may overcome particular barriers (research subquestion 2). The third subchapter discusses the results regarding key strategic implementation measures and continuous improvement activities, through which organizations may maintain their leading position in PSR (research subquestions 3 and 4). Thereafter follows chapter 7.4, Final Strategic PSR Implementation Framework, in which the research question “how did German multinational corporations within the consumer goods industry that are recognized as leading in sustainability, strategically implement Purchasing Social Responsibility?” is answered including the presentation of the Final Strategic PSR Implementation Framework.

Each of the next chapters contains figures demonstrating an overview of literature findings and results of the qualitative study. Furthermore, in each chapter it is discussed which elements of PSR implementation are ultimately confirmed in this study by using the following logic:

- a) Findings are perceived as valid whenever they were previously approved by PSR research

- b) Results from the qualitative study are suggested to be valid whenever mentioned by the majority of participants (to avoid repetition, details on the interviewees which were presented in chapter 6 are excluded)

These include:

- Results matching PSR literature findings
- Results matching CSR and SSCM literature findings
- Additional results, not mentioned in academic literature

Overall, it is suggested that results are valid if either or both a) and b) apply.

7.1 Implementation drivers

While the research area on the drivers of CSR implementation and on the drivers of SSCM implementation shows a rather extensive amount of research, there is only scant research regarding PSR drivers, corresponding to the generally scarce amount of research in the field of PSR.

As such, corresponding to research subquestion 1 - **What are the drivers of PSR implementation? Which drivers from the three literature strings (CSR, SSCM, PSR) ultimately apply to the case of PSR implementation? What are additional drivers of PSR implementation?** - this chapter outlines and discusses the following findings of this study:

- I. Summary of the drivers of PSR implementation derived from PSR literature
- II. Overview of the drivers derived from PSR literature that are also confirmed by the qualitative study
- III. Overview of the drivers derived from PSR literature that are not confirmed by the qualitative study
- IV. Overview of the drivers of implementation discussed in CSR and / or SSCM literature, that are neither confirmed in PSR literature nor in the qualitative study and are as such not perceived as being part of the drivers of PSR implementation
- V. Overview of drivers of implementation discussed in CSR and / or SSCM literature, that are not confirmed in PSR literature but are suggested to

be valid drivers of PSR implementation by the qualitative study, creating a clear contribution to research on PSR drivers

- VI. Overview of additional drivers of implementation that were not previously discussed in CSR, SSCM, or PSR literature but are suggested to be valid drivers of PSR implementation by the qualitative study, again creating a clear contribution to research on PSR implementation drivers

In general, both research (Mont & Leire, 2009b) and the qualitative study suggest that there are both internal and external drivers to the implementation of PSR. However, while in PSR research scholars suggest that firms experience more external than internal pressure to implement PSR (Hoejmose & Adrien-Kirby, 2012), this was not confirmed in the qualitative study and requires further research. In fact, when looking at the amount of internal and external drivers, one can see that internal drivers actually outnumber external drivers, however, this does not explain which type of drivers are predominant in implementing PSR.

In essence, as presented in Figure 73, multiple drivers of PSR implementation identified in PSR literature were also confirmed in the qualitative study. They comprise aspects of motivation including the necessity to implement PSR in order to ensure long-term business survival and improvement of financial performance (Mont & Leire, 2009b; Roberts, 2003; Carr & Pearson, 2002), the aim to reduce risks associated with reputational damages resulting from eventual PSR violations (Hoejmose & Adrien-Kirby, 2012; Roberts, 2003), as well as from the altruistic perspective the demand and commitment of top management / personal morality of top management (Mont & Leire, 2009b; Roberts, 2003; Salam, 2009; Carter, 2004, Carter, 2005; Carter, Ellram, & Ready, 1998; Wolf, 2011; Worthington et al., 2008; Giunipero et al., 2012; Hoejmose & Adrien-Kirby, 2012; Yen & Yen, 2012). Here, especially the aspect of top management commitment was thoroughly discussed in the literature and in the qualitative study, emphasizing that the honest interest and commitment of top management to implement PSR must be visible throughout the company to achieve a successful PSR implementation, as top management are the ones mobilizing financial and human resources for this endeavor. Furthermore, research (Cambra-Fierro et al., 2008; Hardtke & Kleinfeld, 2010) and the respondents of the qualitative study confirm that the implementation should

follow a top-to-bottom approach in which top management act as role models and ambassadors emphasizing the importance of this undertaking. This is also linked to the driver mentioned in the qualitative study “willingness to invest in PSR”, where it is suggested that PSR like any investment requires a green light from management in order to proceed. PSR research did not discuss this.

| | | | CSR | SSCM | PSR | Pre-study | Main study | End study | | |
|--|----------|--|---|---|------|-----------|------------|-----------|----|---|
| Drivers | Internal | Motivation: economic self-interest / potential business benefits | Essential for long-term business survival and for improvement of financial performance | xx | xx | x | yy | yy | yy | |
| | | | Through risk minimization (minimization of reputational damage to avoid loss of market share) | xx | xx | xx | yy | yy | yy | |
| | | | Through an increased customer satisfaction by meeting / exceeding sustainability expectations | xx | xx | - | n | n | n | |
| | | | Through a positive influence on consumer buying behavior | xx | - | - | n | n | n | |
| | | | Through gain or increase of competitive edge / market differentiation | xx | xx | x | n | n | n | |
| | | | Through enhancement of overall economic standing | xx | xx | x | n | n | n | |
| | | | Through an increase of the overall reputation and image | xx | xx | xx | n | n | n | |
| | | | Through cost savings | xx | xx | x | n | n | n | |
| | | | Through increase of organizational learning | xx | - | x | n | n | n | |
| | | | Through security of a continuous availability of products and raw materials | - | - | - | y | y | yy | |
| | | | Through enhancing the relationship with shareholders and attracting future investors / better access to capital and investors | xx | xx | - | y | n | yy | |
| | | Motivation: altruistic reasons | Desire to lead best practice | xx | - | x | n | n | n | |
| | | | Companies' sense of responsibility and dedication to philanthropy | - | - | - | n | yy | yy | |
| | | | Willingness to invest in PSR | - | - | - | y | y | yy | |
| | | | Demand and commitment of top management / personal morality of top management | xx | (xx) | xx | yy | yy | yy | |
| | | | Demand and commitment of middle management / personal morality of middle management | - | - | x | y | n | n | |
| | | | Founding purpose and time | x | - | - | y | y | yy | |
| | | | Required skills | Strong leadership to successfully implement the concept | (xx) | - | x | n | n | n |
| | | Knowledge development and knowledge distribution through established coordination mechanisms | | (xx) | (xx) | xx | n | n | n | |
| | | Training on the concept | | (xx) | (x) | x | n | n | n | |
| | | Pre-conditions | Established people-oriented organizational culture | - | - | x | n | n | n | |
| | | | Technical capabilities | - | - | - | y | y | yy | |
| | | | Sufficient financial, human, and technical resources | - | - | - | yy | yy | yy | |
| | | | Support of purchasing department | - | - | - | y | y | yy | |
| | | | Response to CSR department request | - | - | - | y | n | yy | |
| | | | Transparency of upstream supply chain conditions | - | - | - | n | y | yy | |
| | | | Response to employee request | - | - | - | y | y | yy | |
| | | | Cooperation with other stakeholders | - | - | - | n | y | yy | |
| | | Established organizational values | - | - | x | n | n | n | | |
| | External | Pressures from a variety of stakeholders | Consumers | xx | xx | xx | yy | yy | yy | |
| | | | Community | xx | (xx) | xx | n | n | n | |
| | | | Shareholders / investors | xx | xx | x | n | n | n | |
| | | | NGOs | xx | xx | xx | y | n | yy | |
| | | | Suppliers | - | x | x | n | y | yy | |
| | | | Competitors | - | x | - | n | n | n | |
| | | | Other supply chain parties | - | x | - | n | n | n | |
| | | | Governments: current and anticipated laws and regulations | xx | xx | xx | yy | y | yy | |
| "xx" = extensive research; "x" = little research; "-" = no research; "()" derived from research on implementation barriers | | | | | | | | | | |
| "yy" = confirmed by the majority of interviewees; "y" = confirmed by the minority of interviewees; "n" = not confirmed / not mentioned | | | | | | | | | | |

Figure 73: Overview of results: drivers

Next to the drivers regarding the motivation to implement PSR, research and the qualitative study confirm several external pressures from a variety of stakeholders to engage in this endeavor including consumers and communities (Carter, 2004; Carter, 2005; Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b; Meehan & Bryde, 2011; Yen & Yen, 2012; Björklund, 2011), NGOs (Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b), suppliers (Yen & Yen, 2012), as well as government demands in form of current (Carter, 2004; Giunipero et al., 2012; Hoejmose & Adrien-Kirby, 2012; Yen & Yen, 2012; Worthington et al., 2008; Townend et al., 2009) and anticipated laws and regulations (Meehan & Bryde, 2011).

According to the majority of interviewees as well as research the prerequisite for PSR implementation is the growing social attention for this topic, not seldom triggered by PSR scandals (Lau, 2011; Kumar et al., 2014), such as the Rana Plaza incident 2013 (Werner et al., 2014). Nowadays stakeholders increasingly demand that the selling company also needs to ensure that their supply chains are PSR compliant (Goebel et al., 2012; Andersen & Skjoett-Larsen, 2009; Mont & Leire, 2009a; Mont & Leire, 2009b; Krause et al., 2009; Miemczyk et al., 2012; Lee & Kim, 2009; Roberts, 2003; Stentoft Arlbjørn et al., 2010; Smith, 2003; Heslin & Ochoa, 2008). This increased stakeholder interest in PSR is further supported by government regulations that, as suggested by research, have the greatest external impact on PSR implementation (Townend et al., 2009). While the respondents of the qualitative study did not specifically discuss the importance of laws and regulations in contrast to other external drivers, a great number of respondents emphasized that the upcoming European CSR reporting legislation (Huber-Heim, 2018) is very likely to positively influence PSR implementation. Furthermore, it was confirmed that NGOs have a great power over firms' PSR engagement (Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b). They monitor their activities, and in case of violations, they may disclose according information to the public and thus stimulate boycotts and harm the reputation of these firms. The last external driver confirmed by both research and the qualitative study is supplier awareness. Here it is emphasized that due to external market awareness, more and more focal companies require suppliers to follow PSR standards and therefore suppliers often proactively

address PSR requirements when conducting business with other focal firms (Yen & Yen, 2012).

Turning to those drivers that were confirmed by PSR literature but not by the qualitative study one will find the following representing economic self-interest: the hope of organizations to increase their competitive edge (Giunipero et al., 2012; Yen & Yen, 2012; Mont & Leire, 2009b; Roberts, 2003), to enhance their overall economic standing as well as their reputation and image (Meehan & Bryde, 2011; Mont & Leire, 2009b; Roberts, 2003; Eltantawy, Fox, & Giunipero, 2009), to reduce costs (Meehan & Bryde, 2011; Mont & Leire, 2009b; Roberts, 2003) and to increase organizational learning (Mont & Leire, 2009b).

Furthermore the following altruistic drivers were confirmed in PSR literature: desire to lead best practice (Meehan & Bryde, 2011) and the demand and commitment / personal morality of middle management (Björklund, 2010; Carter et al., 1998). Regarding required skills, the following were mentioned in PSR literature: strong leadership to successfully implement the concept (Salam, 2009; Carter et al., 1998), knowledge development and knowledge distribution through established coordination mechanisms (Carter, 2004), as well as training on the concept (Carter et al., 1998).

Moreover, the following external drivers in form of pressures from stakeholders were confirmed in PSR literature: demand from the community as well as shareholders and investors (Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b). Despite the fact that these drivers were not mentioned in the qualitative study, they were each named by almost all three strings of literature emphasizing their importance and validity. Moreover, while some of these aspects were not mentioned explicitly as a driver to PSR implementation, many were touched upon at a later stage. For example “training on the concept” is mentioned several times on different occasions, including training of those responsible for PSR operations to prepare them for their new tasks and training of suppliers to prepare them for PSR requirements. As such, it is recommended for future research to devote extra attention to these drivers and use e.g. surveys or structured interviews to further test the opinions of practice and enhance existing knowledge.

Other drivers of PSR implementation mentioned in PSR literature, but not in the qualitative study comprise an established people-oriented organizational culture (Carter, 2005) and established organizational values (Hoejmose & Adrien-Kirby, 2012). Whether these drivers are perceived as valid by practice requires further research.

The other group of drivers of PSR implementation - those that were mentioned in CSR and / or SSCM literature but were neither confirmed by PSR literature nor by the qualitative study and are as such not perceived as being part of the drivers of PSR implementation - comprises the aim to increase customer satisfaction by meeting / exceeding sustainability expectations (Zadek, 2004; Aguilera et al., 2007; Choi et al., 2012; Joyner & Payne, 2002; Wang & Sarkis, 2013), the aim to positively influence consumer buying behavior through sustainable behavior (Tate et al., 2010; Fombrun & Shanley, 1990; Kurucz et al., 2008; Yu, 2008; Bhattacharya & Sen, 2004; Fastoso et al., 2012; Homburg et al., 2013; Becker-Olsen et al., 2006), as well as two external drivers in form of pressures from competitors (Forman & Sogaard, 2004; Harms et al., 2013; Ghadge et al., 2017) and other supply chain parties (Seuring & Müller, 2008).

Apart from PSR literature, a great array of additional elements were suggested by the qualitative study to foster PSR implementation, creating a clear contribution to research on PSR drivers. These comprise the motivation to implement PSR in order to secure a continuous availability of products and raw materials, enhancement of the relationship with shareholders and attraction of future investors / better access to capital and investors (as further supported by CSR and SSCM research, namely by Heslin and Ochoa (2008), Trowbridge (2001), and by Seuring and Müller (2008)), as well as from the altruistic perspective the companies' sense of responsibility and dedication to philanthropy, willingness to invest in PSR, as well as founding purpose and time, as e.g. further supported by Vogel (2005a). Here, especially the aspect of security of a continuous availability of products and raw materials was perceived as quite important given the amount of times it was mentioned. According to the interviewees this is a strategic element, as companies need to ensure that they do not cut the tree they are sitting on, meaning that they need to secure specific natural resources for the future to ensure the continuity of

their own business - and in order to do so, they implement PSR, corresponding to one of the key drivers reflecting their economic self-interest.

Another driver that was discussed several times is the enhancement of the relationship with shareholders and attraction of future investors / better access to capital and investors. Here both CSR and SSCM research as well as the majority of interviewees in this study confirmed that shareholders usually seek assurance that firms are not risking their reputation by violating the sustainability agenda as this could lead to a decline in stock prices and as such harm their investments (Trowbridge, 2001; Seuring & Müller, 2008; Heslin & Ochoa, 2008). Hence, they push firms to implement PSR. In fact, this reinforces the previously mentioned driver that was confirmed by both research and the qualitative study, namely the aim to reduce risks associated with reputational damages resulting from PSR violations (Hoejmose & Adrien-Kirby, 2012; Roberts, 2003).

Looking at another group of drivers, namely the preconditions of PSR implementation, which were also suggested by the qualitative study to be of relevance when implementing PSR, one will find the need for sufficient technical capabilities (further confirmed in SSCM literature, namely by Fynes et al., 2011), sufficient financial, human, and technical resources (further confirmed by CSR literature, namely by Stentoft Arlbjörn et al. (2010) and Duarte and Rahman (2010)), support of purchasing department, response to CSR department request, transparency of upstream supply chain conditions (as confirmed by SSCM literature, namely by Geffen and Rothenberg (2000) and Fawcett et al. (2008)), response to employee request, as well as cooperation with other stakeholders. Especially technical capabilities were discussed quite often in the qualitative study, emphasizing their importance. The respondents agreed that organizations require technical capabilities to integrate PSR criteria into purchasing systems and supplier monitoring systems, as well as into existing processes and merchandise management systems. This driver is also related to the aspect of transparency. Without specific technical capabilities, transparency in the upstream supply chain cannot be reached and supplier PSR conditions can neither be systemically implemented nor verified as it is not clear how the upstream supply chain looks like, who the players are etc.

Taking a look at “cooperation with other stakeholders”, while only mentioned in the main study and end study as a clear driver, it was confirmed in the entire qualitative study when taking a look at the future development of PSR, that organizations need to work together with a great array of stakeholders, as PSR implementation is believed to be a mutual process. A dialogue has to be achieved and sensible solutions must be found on how to manage suppliers. To provide an example mentioned in the main study, cooperation with other stakeholders is suggested to be of utmost importance to determine and agree on an industry-wide standardized monitoring system, as well as to simplify the discussions on PSR KPIs and supplier monitoring.

Overall, on the next pages, Figures 74, 75 and 76 depict the identified drivers of PSR implementation and summarize which drivers were ultimately confirmed by either the qualitative study or by PSR literature, following the logic described in the beginning of chapter 7. While the presented drivers were discussed in detail in the previous paragraphs, the following figures show that 33 drivers were ultimately confirmed in this study. Moreover, almost half of the identified drivers in PSR literature were also discussed in CSR and SSCM literature and roughly 20% of the new drivers identified in the qualitative study were also mentioned in CSR and SSCM literature. This quite strong overlap reinforces the interconnection of the three concepts and future research is recommended to consider the entire spectrum of the 33 identified drivers when conducting research on CSR, SSCM or PSR drivers of implementation.

| | | | confirmed in PSR literature | suggested to be valid by the qualitative study | Sources | |
|--|----------|--|---|--|---------|---|
| Drivers | Internal | Motivation: economic self- interest / potential business benefits | Essential for long-term business survival and for improvement of financial performance | yes | yes | Mont & Leire, 2009b; Roberts, 2003; Carr & Pearson, 2002; Hart, 1995; Hart, 2010; Tate et al., 2010; McWilliams & Siegel, 2000; Porter & Kramer, 2006; Van Dijken, 2007; Ruf et al., 2001; Sen & Bhattacharya, 2001; Heslin & Ochoa, 2008; Smith, 2005; Kurucz et al., 2008; Berman et al., Jones, 1999; Valero-Gil et al., 2017; D'Amato et al., 2009; Meyer et al., 2017 |
| | | | Through risk minimization (minimization of reputational damage to avoid loss of market share) | yes | yes | Hoejmose & Adrien-Kirby, 2012; Roberts, 2003; Hart, 1995; Hart, 2010; Tate et al., 2010; McWilliams & Siegel, 2000; Porter & Kramer, 2006; Van Dijken, 2007; Ruf et al., 2001; Sen & Bhattacharya, 2001; Heslin & Ochoa, 2008; Smith, 2005; Kurucz et al., 2008; Berman et al., Jones, 1999; Valero-Gil et al., 2017; D'Amato et al., 2009; Biswal et al., 2017 |
| | | | Through an increased customer satisfaction by meeting / exceeding sustainability expectations | no | no | Aguilera et al., 2007; Choi et al., 2012; Joyner & Payne, 2002; Fawcett et al., 2008; Wang & Sarkis, 2013 |
| | | | Through a positive influence on consumer buying behavior | no | no | Tate et al., 2010; Fombrun & Shanley, 1990; Kurucz et al., 2008; Yu, 2008; Bhattacharya & Sen, 2004; Fastoso et al., 2012; Homburg et al., 2013; Becker-Olsen et al., 2006 |
| | | | Through gain or increase of competitive edge / market differentiation | yes | no | Giunipero et al., 2012; Yen & Yen, 2012; Mont & Leire, 2009b; Roberts, 2003; Hart, 1995; Hart, 2010; Tate et al., 2010; McWilliams & Siegel, 2000; Porter & Kramer, 2006; Van Dijken, 2007; Ruf et al., 2001; Sen & Bhattacharya, 2001; Heslin & Ochoa, 2008; Smith, 2005; Kurucz et al., 2008; Berman et al., 1999; Valero-Gil et al., 2017; D'Amato et al., 2009; Biswal et al., 2017 |
| | | | Through enhancement of overall economic standing | yes | no | Mont & Leire, 2009b; Roberts, 2003; Carr & Pearson, 2002; Björklund, 2010; Carter et al., 2000; Mirvis & Googins, 2006; Porter & Kramer, 2006; Tate et al., 2010; Kurucz et al., 2008; Yu, 2008; Bhattacharya & Sen, 2004; Fastoso et al., 2012; Homburg et al., 2013; Heslin & Ochoa, 2008 |
| | | | Through an increase of the overall reputation and image | yes | no | Meehan & Bryde, 2011; Mont & Leire, 2009b; Roberts, 2003; Eltantawy et al., 2009; Hart, 1995; Hart, 2010; Tate et al., 2010; McWilliams & Siegel, 2000; Porter & Kramer, 2006; Van Dijken, 2007; Ruf et al., 2001; Sen & Bhattacharya, 2001; Heslin & Ochoa, 2008; Smith, 2005; Kurucz et al., 2008; Berman et al., 1999; Valero-Gil et al., 2017; D'Amato et al., 2009 |
| | | | Through cost savings | yes | no | Meehan & Bryde, 2011; Mont & Leire, 2009b; Roberts, 2003; Meyer et al., 2017 |
| | | | Through increase of organizational learning | yes | no | Mont & Leire, 2009b; Roberts, 2003; Mirvis & Googins, 2006; Porter & Kramer, 2006 |
| | | | Through security of a continuous availability of products and raw materials | no | yes | Heslin & Ochoa, 2008; Trowbridge, 2001; Seuring & Müller, 2008 |
| | | | Through enhancing the relationship with shareholders and attracting future investors / better access to capital and investors | no | yes | Heslin & Ochoa, 2008; Trowbridge, 2001; Seuring & Müller, 2008 |
| not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | | | |

Figure 74: Overview of contribution: drivers (1)

| | | | confirmed in PSR literature | suggested to be valid by the qualitative study | Sources | |
|--|--|--------------------------------------|--|--|---|--|
| Drivers | Internal | Motivation: altruistic reasons | Desire to lead best practice | yes | no | Meehan & Bryde, 2011; Carroll, 2000; Nussbaum, 2009; Windolph et al., 2014 |
| | | | Companies' sense of responsibility and dedication to philanthropy | no | yes | Vogel, 2005a |
| | | | Willingness to invest in PSR | no | yes | Vogel, 2005a; Stentoft Arlbjørn et al., 2010; Duarte & Rahman, 2010 |
| | | | Demand and commitment of top management / personal morality of top management | yes | yes | Mont & Leire, 2009b; Roberts, 2003; Salam, 2009; Carter, 2004; Carter, 2005; Carter et al., 1998; Wolf, 2011; Worthington et al., 2008; Giunipero et al., 2012; Hoejmoose & Adrien-Kirby, 2012; Yen & Yen, 2012; Cambra-Fierro et al., 2008; Carroll, 2000; Nussbaum, 2009; Windolph et al., 2014; Doppelt, 2003; Lindgreen et al., 2011; Mirvis & Googins, 2006; Hardtke & Kleinfeld, 2010; Wang et al., 2016 |
| | | | Demand and commitment of middle management / personal morality of middle management | yes | no | Björklund, 2010; Carter et al., 1998 |
| | | | Founding purpose and time | no | yes | Vogel, 2005a; Mirvis & Googins, 2006 |
| | | Required skills | Strong leadership to successfully implement the concept | yes | no | Salam, 2009; Carter et al., 1998 |
| | | | Knowledge development and knowledge distribution through established coordination mechanisms | yes | no | Carter, 2004 |
| | | | Training on the concept | yes | no | Carter et al., 1998 |
| | | Pre-conditions | Established people-oriented organizational culture | yes | no | Carter, 2005 |
| | | | Technical capabilities | no | yes | n/a |
| | | | Sufficient financial, human, and technical resources | no | yes | Stentoft Arlbjørn et al., 2010; Duarte & Rahman, 2010 |
| | Support of purchasing department | | no | yes | n/a | |
| | Response to CSR department request | | no | yes | n/a | |
| | Transparency of upstream supply chain conditions | | no | yes | Geffen & Rothenberg, 2000; Fawcett et al., 2008 | |
| | Response to employee request | | no | yes | n/a | |
| | Cooperation with other stakeholders | | no | yes | n/a | |
| | | Established organizational values | yes | no | Hoejmoose & Adrien-Kirby, 2012 | |
| not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | | | |

Figure 75: Overview of contribution: drivers (2)

| | | | confirmed in PSR literature | suggested to be valid by the qualitative study | Sources | |
|--|----------|---|---|--|---------|---|
| Drivers | External | Pressures from a variety of stakeholders | Consumers | yes | yes | Carter, 2004; Carter, 2005; Hoejmosé & Adrien-Kirby, 2012; Mont & Leire, 2009b; Meehan & Bryde, 2011; Yen & Yen, 2012; Björklund, 2011; Welford & Frost, 2006; Valero-Gil et al., 2017; Stentoft Arlbjörn et al., 2010; Smith, 2003; Heslin & Ochoa, 2008; Mohr & Webb, 2005; Rahim et al., 2011; Mirvis & Googins, 2006; Dartey-Baah & Amponsah-Tawiah, 2011; Nijhof & De Bruijn, 2008; O’Riordan & Fairbrass, 2008; Ghadge et al., 2017; Biswal et al., 2017; Wang et al., 2016 |
| | | | Community | yes | no | Carter, 2004; Carter, 2005; Hoejmosé & Adrien-Kirby, 2012; Mont & Leire, 2009b; Meehan & Bryde, 2011; Yen & Yen, 2012; Björklund, 2011; Valero-Gil et al., 2017; Heslin & Ochoa, 2008 |
| | | | Shareholders / investors | yes | no | Hoejmosé & Adrien-Kirby, 2012; Mont & Leire, 2009b |
| | | | NGOs | yes | yes | Hoejmosé & Adrien-Kirby, 2012; Mont & Leire, 2009b; Heslin & Ochoa, 2008; Agyemang et al., 2018; Wang et al., 2016 |
| | | | Suppliers | yes | yes | Yen & Yen, 2012 |
| | | | Competitors | no | no | Forman & Sogaard, 2004; Harms et al., 2013; Ghadge et al., 2017 |
| | | | Other supply chain parties | no | no | Fawcett et al., 2008; Seuring & Müller, 2008 |
| | | | Governments: current and anticipated laws and regulations | yes | yes | Carter, 2004; Giunipero et al., 2012; Hoejmosé & Adrien-Kirby, 2012; Yen & Yen, 2012; Worthington et al., 2008; Townsend et al., 2009; Meehan & Bryde, 2011; Stentoft Arlbjörn et al., 2010; Gelderman et al., 2017; Agyemang et al., 2018; Biswal et al., 2017; Govindan & Hasanagic, 2018 |
| not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | | | |

Figure 76: Overview of contribution: drivers (3)

7.2 Implementation barriers

Following the logic of chapter 7 and corresponding to research subquestion 2 - **What are the barriers to PSR implementation and how may companies overcome them? Which barriers from the three literature strings (CSR, SSCM, PSR) ultimately apply to the case of PSR implementation? What are additional barriers to PSR implementation? How may companies overcome these barriers?** - this chapter outlines and discusses the following findings of this study:

- I. Summary of the barriers to PSR implementation derived from PSR literature
- II. Overview of the barriers derived from PSR literature that are also confirmed by the qualitative study

- III. Overview of the barriers derived from PSR literature that are not confirmed by the qualitative study
- IV. Overview of the barriers to implementation discussed in CSR and / or SSCM literature, that are neither confirmed in PSR literature nor in the qualitative study and are as such not perceived as being part of the barriers to PSR implementation
- V. Overview of the barriers to implementation discussed in CSR and / or SSCM literature, that are not confirmed in PSR literature but are suggested to be valid barriers to PSR implementation by the qualitative study, creating a clear contribution to research on PSR barriers
- VI. Overview of additional barriers to implementation that were not previously discussed in CSR, SSCM, or PSR literature but are suggested to be valid barriers to PSR implementation by the qualitative study, again creating a clear contribution to research on PSR implementation barriers

Taking a look at research one will find multiple similarities to research on PSR drivers. For example, the extent of research on the barriers to PSR, CSR, and SSCM implementation corresponds to the extent of research on the drivers to implementation. Furthermore, research on implementation barriers also distinguishes between internal and external barriers, even though not predominantly (Mont & Leire, 2009b).

| | | | CSR | SSCM | PSR | Pre-study | Main study | End study | | |
|--|----------|----------------------------------|--|--|------|-----------|------------|-----------|-----|----|
| Barriers | Internal | Motivation | Lack of top management motivation to implement this concept | xx | xx | xx | (yy) | (yy) | yy | |
| | | | Lack of middle management motivation to implement this concept | - | - | x | (y) | n | yy | |
| | | | General lack of commitment to engage in the concept's activities | xx | xx | xx | n | n | n | |
| | | | Management's insufficient understanding of the importance and benefits / strategic relevance of this concept | xx | xx | x | yy | y | yy | |
| | | | Lack of concern for firm reputation and thus a missing motivation to implement this concept | xx | - | - | n | n | n | |
| | | | General resistance to change the existing company culture / current mode of operation and adapt this concept | xx | xx | x | yy | y | yy | |
| | | Financial considerations | Lack of financial resources / necessary funds to implement and to maintain operations | xx | xx | xx | yy | yy | yy | |
| | | | Lack of financial support by top management / missing willingness to invest in the concept | xx | xx | x | y | y | yy | |
| | | | Fearing that this concept will not deliver any financial benefits despite its presumed high costs | - | - | x | n | n | n | |
| | | | Lack of knowledge on the financial effect of this concept's implementation / difficulties to build a business case due to intangible measurement | - | - | x | n | n | n | |
| | | | Resistance to implement this concept due to assumed trade-offs between implementation benefits and operational costs and profits | xx | xx | x | n | n | n | |
| | | | Non-financial considerations | Lack of required non-financial resources (e.g. human resources) to implemend and operate this concept | xx | xx | x | yy | yy | yy |
| | | | | Lack of support from purchasing department | - | - | - | (y) | (y) | yy |
| | | | | Lack of experts on this concept | xx | - | - | n | n | n |
| | | | | Misalignment of short-term and long-term strategic business goals | - | - | x | n | n | n |
| | | | | Conflicting organizational structure, processes, and culture | - | x | - | n | n | n |
| | | | | Local culture with lower ethical expectations | - | - | x | n | n | n |
| | | | | Lack of performance measurement for the concept | - | xx | x | n | n | n |
| | | | | Lack of operational alignment | - | x | - | n | n | n |
| | | | | Lack of internal coordination / missing ability to coordinate complex undertakings | x | x | - | n | n | n |
| | | | | Complexity of implementation | - | - | - | yy | y | yy |
| | | | | Uncertainty about organizational (IT / technological) capabilities | - | x | x | (y) | (y) | yy |
| | | | | Lack of strong leadership to successfully implement this concept | xx | - | x | n | n | n |
| | | | | Difficulties in acquiring relevant specific knowledge on implementation and operation of this concept / lack of required knowledge | xx | xx | xx | n | n | n |
| | | | | Difficulties in determining the appropriate concept strategy | xx | - | xx | n | n | n |
| | | | | Lack of training (for new mind-sets and skills) and information sharing on this concept | xx | x | x | n | n | n |
| | | | | Inefficient stakeholder consideration and involvement | xx | - | - | n | n | n |
| | | | Supply chain specific: low bargaining power over key suppliers | - | - | x | n | n | n | |
| | External | External requirements | Lack of (industry) regulations and laws on this concept | xx | xx | x | (yy) | (y) | yy | |
| | | | Supply chain specific: general lack of trust among supply chain parties / assumption that suppliers will not collaborate | - | xx | x | n | n | n | |
| | | | Poor supplier commitment | - | xx | - | n | n | n | |
| | | | Missing / insufficient communication among supply chain members | - | xx | - | n | n | n | |
| | | | Lack of NGO support | xx | (xx) | (xx) | n | n | n | |
| | | | Lack of social audits | xx | - | - | n | n | n | |
| | | No external stakeholder pressure | From trade unions | xx | - | - | n | n | n | |
| | | | From consumers / customers (e.g. consumer insensitivity towards sustainability issues und primary desire for low prices) | xx | xx | (xx) | (yy) | (yy) | yy | |
| | | | From suppliers | - | - | - | n | (y) | yy | |
| | | | From NGOs | xx | (xx) | (xx) | (y) | n | n | |
| | | | | | | | | | | |
| "xx" = extensive research; "x" = little research; "-" = no research; "()" derived from research on implementation drivers | | | | | | | | | | |
| "yy" = confirmed by the majority of interviewees; "y" = confirmed by the minority of interviewees; "n" = not confirmed / not mentioned; "()" derived from answers on implementation drivers | | | | | | | | | | |

Figure 77: Overview of results: barriers

In essence, as presented in Figure 77, multiple barriers to PSR implementation that were identified in PSR literature were also confirmed by the qualitative study. They comprise aspects of motivation including lack of top management and lack of middle management motivation to implement this concept (Maignan et al., 2002; Carter et al., 1998; Mont & Leire, 2009b; Carter & Dresner, 2001; Min & Galle, 2001), management's insufficient understanding of the importance, benefits and strategic relevance of this concept (Giunipero et al., 2012; Mont & Leire, 2009b; Bowen et al., 2001), as well as a general resistance to change the existing company culture / current mode of operation and adapt this concept (Hoejmose & Adrien-Kirby, 2012). In fact, the first two barriers can be seen as antonyms to the PSR drivers "demand and commitment of top management / personal morality of top management" and "demand and commitment of middle management / personal morality of middle management", reinforcing the inevitable importance of management's involvement in PSR implementation. The other two barriers may be perceived as a counterpart to the drivers "willingness to invest in PSR" and "knowledge development and knowledge distribution through established coordination mechanisms", as according to research and multiple interviewees, due to a lack of knowledge on PSR, companies may simply not be aware of the benefits and relevance of PSR avoiding the concept's implementation (Mont & Leire, 2009b; Cooper et al., 2000; Bowen et al., 2001; Günther & Scheibe, 2006). In other words, the lack of knowledge may lead to an insufficient understanding of the importance of this concept and in turn lead to a general resistance to change the current mode of operation.

Furthermore, a key reason fostering the barrier "general resistance to change the existing company culture / current mode of operation and adapt this concept", according to multiple respondents is the fact that on the one hand purchasing employees often do not want to take on additional tasks or are afraid of a massive change of their working behavior and on the other hand purchasing employees want to avoid the conflict between margins and PSR that is believed to come with PSR implementation. Here research on change management could come into place investigating the best strategies to motivate purchasing employees to foster PSR implementation. For example, the results of the study by Turner Parish, Cadwallader, and Busch (2008) "Want to, Need

to, Ought to: Employee Commitment to Organizational Change”, in which the authors tested a model delineating antecedents of commitment to organizational change, could be used in future research to test whether the findings of this study could also apply to the specific case of PSR implementation. Furthermore, the research of Kotter (2007) may be used to investigate how to best tackle the issue of change resistance in general. In his paper “Leading Change - Why Transformation Efforts Fail” the author presents eight steps to transforming organizations and overcoming the resistance to change. Here, future research may try to assess whether the presented steps may apply or need to be adjusted or extended to fit to the case of PSR implementation.

Going back to the aspects of lack of knowledge on PSR and lack of awareness of PSR benefits and relevance, there are indeed multiple sources of information that organizations may use to shape their understanding of PSR. As such it is suggested by the qualitative study that today this barrier might be less relevant than it used to be 10 years ago when information on PSR was still rather scarce in practice. As outlined by both research and the qualitative study the most prominent sources of information comprise the exchange with stakeholders (Zadek, 2004; McWilliams & Siegel, 2001; Wolf, 2011; Graafland et al., 2003) and hereby especially with competitors (Zadek, 2004; Cramer, 2008) and NGOs (Graafland et al., 2003), consulting firms (Leire & Mont, 2009) CSR / sustainability departments, industry networks, CSR auditing agencies, and CSR associations (mentioned by the qualitative study only). Other key sources include various acknowledged standards, norms, and certifications (Lau, 2011; Leire & Mont, 2009; Wong et al., 2012; Goebel et al., 2012; Lee & Kim, 2009; Björklund, 2010), which are presented in Figure 78, as well as benchmarks (Björklund, 2010). Overall, these sources of knowledge are typically used to gather sufficient information on the concept but also to develop own codes of conduct (Mamic, 2005), or in case of standards and certification to verify the PSR status of suppliers (Harms et al., 2013; Seuring & Müller, 2008; Beske & Seuring, 2014; Müller et al., 2009; Srivastava, 2007). In fact, the example of management consultants, who are perceived as an essential source of information on PSR, reinforces the inclusion of consultants into this study.

| Norms, standards, certification | CSR | SSCM | PSR | Qualitative study |
|--|------------|-------------|------------|--------------------------|
| European CSR reporting legislation | x | - | - | x |
| United Nations Global Compact | x | x | x | x |
| International Labour Organization (ILO) Conventions | x | x | x | x |
| OECD Guidelines for Multinational Enterprises | x | x | x | x |
| ISO 14001 / 14000 | x | x | x | x |
| AccountAbility 1000 (AA 1000) | x | x | x | - |
| Global Reporting Initiative (GRI) | x | x | x | x |
| Global Sullivan Principles | x | x | x | - |
| Social Accountability 8000 (SA 8000) | x | x | x | x |
| Eco-Management and Audit Scheme (EMAS) | - | x | x | x |
| ISO 26000 | - | x | x | - |
| Global Environmental Manufacturing Initiative (GEMI) | - | x | - | - |
| Business Social Compliance Initiative (BSCI) | - | - | x | x |
| Forest Stewardship Council (FSC) | - | - | x | x |
| Fairtrade | - | - | - | x |
| REACH | - | - | - | x |
| Fair Wear Foundation | - | - | - | x |
| Better Cotton Initiative | - | - | - | x |
| SMETA | - | - | - | x |
| Bluesign Standard | - | - | - | x |
| EcoVadis | - | - | - | x |
| Global Organic Textile Standard | - | - | - | x |
| Global Organic Cotton Standard | - | - | - | x |
| WWF | - | - | - | x |
| Rainforest Alliance | - | - | - | x |
| Blauer Umweltengel | - | - | - | x |
| Aid by Trade Foundation | - | - | - | x |
| Cotton Made in Africa | - | - | - | x |
| "x" = confirmed; "-" = not confirmed | | | | |

Figure 78: Overview of results: sources of knowledge

Other barriers to implementation that were identified in PSR literature and were confirmed by the qualitative study comprise financial considerations including a lack of financial resources / necessary funds to implement and to maintain operations (Hoejmose & Adrien-Kirby, 2012; Curkovic & Sroufe, 2007; Orsato, 2006), lack of financial support by top management / missing willingness to invest in the concept (Hoejmose & Adrien-Kirby, 2012; Curkovic & Sroufe, 2007; Orsato, 2006), as well as non-financial considerations including the lack of required non-financial resources (e.g. human resources) to implement and operate PSR (Giunipero et al., 2012; Mont & Leire, 2009b). Among the external barriers confirmed by both PSR research and the qualitative study are a lack of (industry) regulations and laws on this concept (Walker & Jones, 2012; Zhu & Sarkis, 2006; Porter & Van de Linde, 1995; Al-Odeh & Smallwood, 2012), and a missing stakeholder pressure from consumers / customers (Orsato, 2006; Walker & Jones, 2012).

Turning to the aspects that were extensively discussed in academic literature, namely the lack of financial resources / necessary funds to implement and to maintain operations, lack of financial support by top management / missing willingness to invest in the concept, as well as lack of required non-financial resources to implement and operate this concept, one will find that in PSR literature there are two opinions to the cost issue: on the one hand it is suggested that the implementation of PSR leads to overall cost reduction in the long-term (Meehan & Bryde, 2011; Mont & Leire, 2009b; Roberts, 2003), being a driver of implementation, and on the other hand it is suggested that the implementation bears short-term costs, creating a barrier to implementation (Lau, 2011; Mont & Leire, 2009b; Maignan et al., 2002). These short-term investments comprise costs to collect and process stakeholder information on their expectations, to develop systems to apply, monitor, and collect PSR performance information and achieve transparency (Mont & Leire, 2009b; Maignan et al., 2002). The aspects of cost reduction on the other hand stem from the reduced risk and reduced penalties for PSR violations once PSR has been successfully implemented (Giunipero et al., 2012; Devinney, 2009) as well as from the reduction of operational costs through resource reduction and more efficient production (Lau, 2011; Meehan & Bryde, 2011; Mont & Leire, 2009b; Roberts, 2003; Hollos et al., 2012).

Taking a look at non-financial considerations it is clear that e.g. human resources are required for this undertaking (Giunipero et al., 2012; Mont & Leire, 2009b) as someone needs to be responsible for the implementation and later management of PSR, as well as from the technical perspective, as discussed in the section discussing drivers to PSR implementation, it is clear that organizations require technical capabilities (Fynes et al., 2011) to integrate PSR criteria into purchasing systems and supplier monitoring systems, as well as into existing processes and merchandise management systems. In case these non-financial resources are not sufficient, this again leads to higher costs of PSR implementation and maintenance, as additional human resources need to be hired and IT systems need to be extended.

The respondents of the qualitative study confirm that PSR implementation and maintenance indeed require additional financial and non-financial resources. However, in contrast to academic literature, multiple interviewees outlined that

despite the positive idea of PSR, the implementation always bears high initial and long-term costs that cannot be transferred to the customer. This is due to high competition and price sensitivity of consumers, leading to lower margins, as the majority of consumers are not willing to pay more for sustainable products (Orsato, 2006; Walker & Jones, 2012; Valmohammadi, 2011; Duarte & Rahman, 2010; Lichtenstein, Drumwright, & Braig, 2004). As such, organizations carefully evaluate their degree of responsibility, scope of PSR, as well as methods of monitoring suppliers to keep costs at bay. These measures are discussed in the next chapter. Cost reductions resulting from PSR implementation were not reported.

Turning to those barriers that were confirmed by PSR literature but not by the qualitative study one will find the following: a general lack of commitment to engage in the concept's activities (Hoejmosse & Adrien-Kirby, 2012; Curkovic & Sroufe, 2007; Orsato, 2006), fearing that this concept will not deliver any financial benefits despite its presumed high costs (Giunipero et al., 2012; Hoejmosse & Adrien-Kirby, 2012; Mont & Leire, 2009b), lack of knowledge on the financial effect of this concept's implementation / difficulties to build a business case due to intangible measurement (Giunipero et al., 2012; Curkovic & Sroufe, 2007; Hoejmosse & Adrien-Kirby, 2012; Mont & Leire, 2009b), resistance to implement this concept due to assumed trade-offs between implementation benefits and operational costs and profits (Giunipero et al., 2012; Hoejmosse & Adrien-Kirby, 2012; Mont & Leire, 2009b), misalignment of short-term and long-term strategic business goals (Giunipero et al., 2012), local culture with lower ethical expectations (Orsato, 2006; Walker & Jones, 2012), lack of performance measurement for the concept, lack of strong leadership to successfully implement this concept (Curkovic & Sroufe, 2007; Hoejmosse & Adrien-Kirby, 2012), difficulties in acquiring relevant specific knowledge on implementation and operation of this concept / lack of required knowledge (Mont & Leire, 2009b; Cooper et al, 2000; Bowen et al., 2001; Günther & Scheibe, 2006), difficulties in determining the appropriate concept strategy (Giunipero et al., 2012), lack of training (for new mind-sets and skills) and information sharing on this concept (Mont & Leire, 2009b; Cooper, et al., 2000; Bowen et al., 2001; Günther & Scheibe, 2006), as well as a low bargaining power over key suppliers and a general lack of trust among supply chain parties

/ assumption that suppliers will not collaborate (Hoejmose & Adrien-Kirby, 2012). External barriers comprise the lack of NGO support and no external pressure to implement PSR from NGOs (Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b). Taking a look at internal barriers, while the first half of these barriers correspond to the general issue regarding costs to PSR implementation and costs of PSR maintenance explained earlier, the second half results from a lack of internal knowledge and capabilities required for this undertaking. In essence, it is recommended for future research to devote extra attention to these barriers and use e.g. surveys or structured interviews disclosing these barriers and their backgrounds to further test the opinions of practice and enhance existing knowledge.

The other group of barriers to PSR implementation - those that were mentioned in CSR and / or SSCM literature but were neither confirmed by PSR literature nor by the qualitative study and are as such not perceived as being part of the barriers to PSR implementation - comprises a lack of concern for firm reputation and thus a missing motivation to implement this concept (Duarte & Rahman, 2010), lack of experts on this concept (Schmitt, 2005), conflicting organizational structure, processes, and culture (Tyndall et al., 1998), lack of operational alignment (Fawcett et al., 2008), lack of internal coordination / missing ability to coordinate complex undertakings (Seuring & Müller, 2008; Biswal et al., 2017), inefficient stakeholder consideration and involvement (Stentoft Arlbjørn et al., 2010; Valmohammadi, 2011; Duarte & Rahman, 2010), poor supplier commitment (Walker et al., 2008; Wycherley, 1999; Walker & Jones, 2012; Fawcett et al., 2008), missing / insufficient communication among supply chain members (Seuring & Müller, 2008), lack of social audits, as well as lack of external pressure from trade unions (Newell, 2005).

Apart from PSR literature, a few additional elements were suggested by the qualitative study to hinder PSR implementation, creating a clear contribution to research on the barriers to PSR. These comprise the lack of support from purchasing department, complexity of implementation, and no external pressure from suppliers to implement this concept. To highlight two of these barriers, the lack of support from purchasing department can be explained by the fear of additional tasks and required change of working behavior as well as the conflict between margins and PSR, as previously explained. As suggested by a few

interviewees this situation can only be solved by intense discussions with the purchasing department and a strong tone from the top, asking for sustainable ways of conducting business. It has to be made transparent what the advantages and the reasons for PSR are in combination with what the competition is doing and what the customers want. One interviewee explained that his employer goes even further by encouraging PSR hesitant employees to leave the company while at the same time recruiters searched for PSR proponents to join the purchasing team.

Looking at the other barrier regarding the complexity of implementation, it was emphasized by multiple respondents that organizations are often unsure whether they are able to implement PSR and ensure PSR compliance throughout the upstream supply chain due to their limited PSR knowledge and resources. This applies particularly to organizations with a great amount suppliers and volatile supply chains.

To sum up, Figures 79, 80 and 81 on the next pages depict the identified barriers to PSR implementation and summarize which barriers were ultimately confirmed by either the qualitative study or by PSR literature, again following the logic described in chapter 7. While the presented barriers were discussed in detail in the previous paragraphs, the following figures show that 28 barriers were ultimately confirmed in this study. Moreover, more than two thirds of the identified barriers in PSR literature were also discussed in CSR and SSCM literature. In contrast to the drivers of PSR implementation, none of the new drivers identified in the qualitative study were also mentioned in CSR and SSCM literature. Nonetheless, also here the strong interconnection of the three concepts is clearly visible and future research is recommended to consider the entire spectrum when conducting future research on CSR, SSCM or PSR barriers to implementation.

| | | | confirmed in PSR literature | suggested to be valid by the qualitative study | Sources | |
|--|--|--------------------------|--|--|---|--|
| Barriers | Internal | Motivation | Lack of top management motivation to implement this concept | yes | yes | Maignan et al., 2002; Carter et al., 1998; Mont & Leire, 2009b; Carter & Dresner, 2001; Min & Galle, 2001; Gelderman et al., 2017; Duarte & Rahman, 2010; Baskaran et al., 2011; Stentoft Arlbjørn et al., 2010; Kaur et al., 2018; Agyemang et al., 2018; Balon et al., 2018; Walker & Jones, 2012; Fawcett et al., 2008; Al-Odeh & Smallwood, 2012; Beske & Seuring, 2014; Holt & Ghobadian, 2009; Harms et al., 2013, Pagell & Wu, 2009 |
| | | | Lack of middle management motivation to implement this concept | yes | yes | Maignan et al., 2002; Carter et al., 1998; Mont & Leire, 2009b; Carter & Dresner, 2001; Min & Galle, 2001 |
| | | | General lack of commitment to engage in the concept's activities | yes | no | Hoejmose & Adrien-Kirby, 2012; Curkovic & Sroufe, 2007; Orsato, 2006; Duarte & Rahman, 2010; Baskaran et al., 2011 |
| | | | Management's insufficient understanding of the importance and benefits / strategic relevance of this concept | yes | yes | Giunipero et al., 2012; Mont & Leire, 2009b; Bowen et al., 2001 Mont & Leire, 2009b; Cooper et al., 2000; Bowen et al., 2001; Günther & Scheibe, 2006; Gelderman et al., 2017; Stentoft Arlbjørn et al., 2010; Valmohammadi, 2011; Persons, 2012; Duarte & Rahman, 2010 |
| | | | Lack of concern for firm reputation and thus a missing motivation to implement this concept | no | no | Duarte & Rahman, 2010 |
| | | | General resistance to change the existing company culture / current mode of operation and adapt this concept | yes | yes | Hoejmose & Adrien-Kirby, 2012; Duarte & Rahman, 2010; Balon et al., 2018; Fawcett et al., 2008 |
| | | Financial considerations | Lack of financial resources / necessary funds to implement and to maintain operations | yes | yes | Hoejmose & Adrien-Kirby, 2012; Curkovic & Sroufe, 2007; Orsato, 2006; Duarte & Rahman, 2010; Baskaran et al., 2011; Laudal, 2011; Majumdar & Sinha, 2018; Yuen & Lim, 2016; Balon et al., 2018; Morali & Searcy, 2013; Seuring & Müller, 2008; Walker & Jones, 2012; Al-Odeh & Smallwood, 2012; Maloni & Brown, 2006; Govindan et al., 2014, Agyemang et al., 2018; Majumdar & Sinha, 2018 |
| | | | Lack of financial support by top management / missing willingness to invest in the concept | yes | yes | Hoejmose & Adrien-Kirby, 2012; Curkovic & Sroufe, 2007; Orsato, 2006; Duarte & Rahman, 2010; Baskaran et al., 2011; Yuen & Lim, 2016; Morali & Searcy, 2013 |
| | | | Fearing that this concept will not deliver any financial benefits despite its presumed high costs | yes | no | Giunipero et al., 2012; Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b |
| | | | Lack of knowledge on the financial effect of this concept's implementation / difficulties to build a business case due to intangible measurement | yes | no | Giunipero et al., 2012; Curkovic & Sroufe, 2007; Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b |
| | Resistance to implement this concept due to assumed trade-offs between implementation benefits and operational costs and profits | | yes | no | Giunipero et al., 2012; Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b; Gelderman et al., 2017; Laudal, 2011; Newell, 2005; Doane, 2005 | |
| not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | | | |

Figure 79: Overview of contribution: barriers (1)

| | | | confirmed in PSR literature | suggested to be valid by the qualitative study | Sources | |
|--|----------|---------------------------------|--|--|---------|---|
| Barriers | Internal | Non-financial considerations | Lack of required non-financial resources (e.g. human resources) to implement and operate this concept | yes | yes | Giunipero et al., 2012; Mont & Leire, 2009b; Laudal, 2011; Yuen & Lim, 2016; Walker & Jones, 2012; Al-Odeh & Smallwood, 2012; Niemann et al., 2016 |
| | | | Lack of support from purchasing department | no | yes | n/a |
| | | | Lack of experts on this concept | no | no | Schmitt, 2005 |
| | | | Misalignment of short-term and long-term strategic business goals | yes | no | Giunipero et al., 2012 |
| | | | Conflicting organizational structure, processes, and culture | no | no | Tyndall et al., 1998; Griffiths & Petrick, 2001; Walker et al., 2008; Niemann et al., 2016 |
| | | | Local culture with lower ethical expectations | yes | no | Orsato, 2006; Walker & Jones, 2012 |
| | | | Lack of performance measurement for the concept | yes | no | Curkovic & Sroufe, 2007; Hoejmose & Adrien-Kirby, 2012; Rao & Holt, 2005; Walker & Jones, 2012 |
| | | | Lack of operational alignment | no | no | Fawcett et al., 2008 |
| | | | Lack of internal coordination / missing ability to coordinate complex undertakings | no | no | Seuring & Müller, 2008; Stentoft Arlbjørn et al., 2010; Biswal et al., 2017 |
| | | | Complexity of implementation | no | yes | n/a |
| | | | Uncertainty about organizational (IT / technological) capabilities | yes | yes | Lau, 2011; Fynes et al., 2011; Meyer et al., 2017; Al-Odeh & Smallwood, 2012; Fawcett et al., 2008 |
| | | | Lack of strong leadership to successfully implement this concept | yes | no | Curkovic & Sroufe, 2007; Hoejmose & Adrien-Kirby, 2012; Laudal, 2011 |
| | | | Difficulties in acquiring relevant specific knowledge on implementation and operation of this concept / lack of required knowledge | yes | no | Mont & Leire, 2009b; Cooper et al, 2000; Bowen et al., 2001; Günther & Scheibe, 2006; Stentoft Arlbjørn et al., 2010; Valmohammadi, 2011; Persons, 2012; Duarte & Rahman, 2010; Kaur et al., 2018; Al-Odeh & Smallwood, 2012; Morali & Searcy, 2013; Seuring & Müller, 2008 |
| | | | Difficulties in determining the appropriate concept strategy | yes | no | Giunipero et al., 2012; Fawcett et al., 2008 |
| | | | Lack of training (for new mind-sets and skills) and information sharing on this concept | yes | no | Mont & Leire, 2009b; Cooper et al., 2000; Bowen et al., 2001; Günther & Scheibe, 2006; Balon et al., 2018; Fawcett et al., 2008; Walker & Jones, 2012 |
| | | | Inefficient stakeholder consideration and involvement | no | no | Stentoft Arlbjørn et al., 2010; Valmohammadi, 2011; Duarte & Rahman, 2010 |
| | | | Supply chain specific: low bargaining power over key suppliers | yes | no | Hoejmose & Adrien-Kirby, 2012 |
| not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | | | |

Figure 80: Overview of contribution: barriers (2)

| | | | confirmed in PSR literature | suggested to be valid by the qualitative study | Sources | |
|----------|--|--|--|--|---|---|
| Barriers | External | External requirements | Lack of (industry) regulations and laws on this concept | yes | yes | Zhu & Sarkis, 2006; Porter & Van de Linde, 1995; Al-Odeh & Smallwood, 2012; Newell, 2005;Walker & Jones, 2012; Majumdar & Sinha, 2018; Walker & Jones, 2012; Porter & Van de Linde, 1995; Al-Odeh & Smallwood, 2012; Majumdar & Sinha, 2018; Zhu & Sarkis, 2006; Walker & Jones, 2012; Niemann et al., 2016 |
| | | | Supply chain specific: general lack of trust among supply chain parties / assumption that suppliers will not collaborate | yes | no | Hoejmose & Adrien-Kirby, 2012 |
| | | | Poor supplier commitment | no | no | Walker et al., 2008; Wycherley, 1999; Walker & Jones, 2012; Fawcett et al., 2008 |
| | | | Missing / insufficient communication among supply chain members | no | no | Seuring & Müller, 2008 |
| | | | Lack of NGO support | yes | no | Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b; Majumdar & Sinha, 2018 |
| | | | Lack of social audits | no | no | Newell, 2005 |
| | No external stakeholder pressure | From trade unions | no | no | Newell, 2005 | |
| | | From consumers / customers (e.g. consumer insensitivity towards sustainability issues und primary desire for low prices) | yes | yes | Orsato, 2006; Walker & Jones, 2012; Valmohammadi, 2011; Duarte & Rahman, 2010; Majumdar & Sinha, 2018; Orsato, 2006 | |
| | | From suppliers | no | yes | n/a | |
| | | From NGOs | yes | no | Hoejmose & Adrien-Kirby, 2012; Mont & Leire, 2009b; Majumdar & Sinha, 2018 | |
| | not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | | |

Figure 81: Overview of contribution: barriers (3)

While besides one exception research does not provide explanations and insights on how companies deal with and overcome certain barriers to PSR implementation - which is most likely due to the fact that research on PSR is rather scarce in general - in the qualitative study a few measures to specific barriers were reported. The exception concerns overcoming cultural differences when implementing PSR and the suggestion to adapt ethical standards according to local conditions instead of having one generally applicable PSR standard (Hoejmose & Adrien-Kirby, 2012). Researchers argue that what is considered as the right approach to PSR in one country, may be perceived differently in another e.g. developing country (Hoejmose & Adrien-Kirby, 2012; Winstanley et al., 2002; and Vassallo et al., 2008) as ethical expectations often vary in the producing and consuming markets (Vassallo et al., 2008; Cooper et al., 2000; Kitchin, 2003; Robertson & Crittenden, 2003; Walker & Phillips, 2009). In fact, this scenario was discussed in the end study, however, reaching a different result. All interviewees working at the target MNCs reported that they have one ethical standard that applies to all suppliers in all regions. This reduces the complexity regarding coaching suppliers on PSR requirements and

regarding supplier monitoring. As no consensus could be reached on this matter, future research is recommended to verify which approach is superior for focal firms.

| <i>Barriers</i> | <i>CSR</i> | <i>SSCM</i> | <i>PSR</i> | <i>Qualitative study</i> | <i>Measures</i> | <i>CSR</i> | <i>SSCM</i> | <i>PSR</i> | <i>Qualitative study</i> |
|--|------------|-------------|------------|--------------------------|--|------------|-------------|------------|--------------------------|
| General resistance to change the existing company culture / current mode of operation and adapt this concept | - | - | x | y | Communication and persuasion as well as compromises; Convincing of employees; Information and training of procurement staff to take ownership and responsibility for PSR | - | - | - | y |
| Management's insufficient understanding of the importance and benefits / strategic relevance of this concept | - | - | x | y | Top management's initiative to achieve visibility and demonstrate support to pursue this topic | - | - | - | y |
| Complexity of implementation | - | - | - | y | Engagement in multi-stakeholder-initiatives to gain respective knowledge and advice on PSR implementation | - | - | - | y |
| Overcoming cultural differences when implementing PSR | - | - | x | n | Adaption of ethical standards according to local conditions | - | - | x | n |
| "xx" = extensive research; "x" = little research; "-" = no research | | | | | | | | | |
| "y" = confirmed by the qualitative study; "n" = not confirmed / not mentioned in the qualitative study | | | | | | | | | |

Figure 82: Overview of results: barriers and measures

To overcome the barrier “general resistance to change the existing company culture / current mode of operation and adapt this concept“, multiple respondents emphasized that organizations should engage in an open communication with their employees, especially towards purchasing employees as they are the ones usually resisting to change their working habits. The open communication should also include training on PSR and methods of persuasion that PSR is indeed crucial to the firm with the aim to slowly hand over ownership of this topic to the purchasing staff. The barrier “management’s insufficient understanding of the importance and benefits / strategic relevance of this concept“ may be solved through top management’s initiative to achieve visibility and demonstrate support to pursue this topic. This is connected to and reinforced by the aspect mentioned in the section on the drivers to PSR implementation, namely that PSR implementation should follow a top-to-bottom approach in which top management act as role models and ambassadors emphasizing the importance of this undertaking. Looking at the issue of

complexity of implementation, which was explained earlier in this chapter, the respondents mentioned that it is crucial for organizations to engage in multi-stakeholder-initiatives to gain respective knowledge and advice on PSR implementation in order to find mutual solutions and reduce the complexity of this endeavor. Due to the fact that PSR is still a novelty to many organizations, engagement in multi-stakeholder-initiatives seems suitable to learn from (examples of) forerunners.

To sum up, besides the great array of barriers to PSR implementation, it is believed that with time and growing number of best practices analyzed by academia and practice, the barriers will decrease in numbers and importance, as knowledge on PSR increases. As a next step, it is thus suggested for future research to focus on the solutions to overcome these barriers by building on the results of this study, as with this and previous research, the identification of barriers to PSR implementation is suggested to be sufficiently covered.

Figure 83 provides an overview of the contribution regarding the identified measures to the four barriers and confirms that all identified measures – by either PSR literature or by the qualitative study – are valid for PSR implementation.

| Barriers | confirmed in PSR literature | Sources | confirmed by the qualitative study | Measures | confirmed in PSR literature | Sources | confirmed by the qualitative study |
|--|--|--|---|--|--|-------------------------------|---|
| General resistance to change the existing company culture / current mode of operation and adapt this concept | yes | Hoejmose & Adrien-Kirby, 2012 | yes | Communication and persuasion as well as compromises; Convincing of employees; Information and training of procurement staff to take ownership and responsibility for PSR | no | n/a | yes |
| Management's insufficient understanding of the importance and benefits / strategic relevance of this concept | yes | Giunipero et al., 2012; Mont & Leire, 2009b; Bowen et al., 2001; Mont & Leire, 2009b; Cooper et al., 2000; Bowen et al., 2001; Günther & Scheibe, 2006 | yes | Top management's initiative to achieve visibility and demonstrate support to pursue this topic | no | n/a | yes |
| Complexity of implementation | no | n/a | yes | Engagement in multi-stakeholder-initiatives to gain respective knowledge and advice on PSR implementation | no | n/a | yes |
| Overcoming cultural differences when implementing PSR | yes | Hoejmose & Adrien-Kirby, 2012 | no | Adaption of ethical standards according to local conditions | yes | Hoejmose & Adrien-Kirby, 2012 | no |
| not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | | | | |

Figure 83: Overview of contribution: barriers and measures

Prior to continuing with the next chapter, it needs to be highlighted that the findings generated by the qualitative study might be somewhat limited due to the fact that the majority of participants in this study were employed by companies leading in sustainability that have dealt with PSR for several years now and as such the participants in this study might have not personally evidenced particular barriers to PSR implementation. For example, they might have joined the companies at a later point in time. This stands in contrast to e.g. PSR drivers that are rather common knowledge as well as implementation measures that are usually rather easy to retrace as their effects and processes are usually still adhered to today. Furthermore, the rather high rank of participants creates another limitation, as some interviewees might not have experienced particular difficulties when implementing PSR in comparison to e.g. employees in the purchasing department.

7.3 Key strategic implementation measures

Corresponding to research subquestion 3 - **What are the key strategic implementation measures? Which key strategic implementation measures from the three literature strings (CSR, SSCM, PSR) ultimately apply to the case of PSR implementation? What are additional implementation measures?** and research subquestion 4 - **How do these organizations maintain their leading position in PSR? Which continuous improvement activities from the literature on CSR apply to the case of PSR implementation? What are additional continuous improvement activities?**

- this chapter outlines and discusses the following findings of this study:

- I. Summary of the key strategic PSR implementation measures derived from PSR literature
- II. Overview of the key strategic PSR implementation measures derived from PSR literature that are also confirmed by the qualitative study
- III. Overview of the key strategic PSR implementation measures derived from PSR literature that are not confirmed by the qualitative study
- IV. Overview of the key strategic PSR implementation measures discussed in CSR and / or SSCM literature, that are neither confirmed in PSR literature nor in the qualitative study and are as such not perceived as being part of the key strategic PSR implementation measures
- V. Overview of the key strategic PSR implementation measures discussed in CSR and / or SSCM literature, that are not confirmed in PSR literature but suggested to be valid key strategic PSR implementation measures by the qualitative study, creating a clear contribution to research on PSR implementation
- VI. Overview of additional key strategic PSR implementation measures that were not previously discussed in CSR, SSCM, or PSR literature but are suggested to be valid barriers to PSR implementation by the qualitative study, again creating a clear contribution to research on PSR implementation barriers
- VII. Summary of the continuous improvement activities derived from CSR literature
- VIII. Overview of the continuous improvement activities derived from CSR literature that are also confirmed by the qualitative study

- IX. Overview of the continuous improvement activities derived from CSR literature that are not confirmed by the qualitative study
- X. Overview of additional continuous improvement activities that were not previously discussed in CSR literature but are suggested to be valid continuous improvement activities by the qualitative study, creating a clear contribution to research on PSR implementation

Prior to presenting and discussing the findings from I to X, the following paragraphs provide background information on the status of PSR implementation in organizations and research, the key consequences resulting from PSR implementation from the perspective of organizations, as well as the interview participants' vision regarding the future of PSR. What needs to be highlighted upfront is that the qualitative study confirms the identified PSR dimensions - people, planet, profit - as well as their elements and activities. In contrast to academic literature, the respondents do not primarily focus on the environmental dimension.

In essence, while PSR is still rather new to both research and practice, it was not discussed in the literature when companies within the consumer goods industry began implementing this concept. In the qualitative study it was confirmed that while PSR has been discussed for a much longer period of time, prior to the actual implementation, the majority of companies within the consumer goods industry began implementing PSR between 2006 and 2014. In fact, this corresponds to the literature review emphasizing that the focus of organizations and also the CSR research field shifted to the supply chain and especially to PSR in the 21st century (Mont & Leire, 2009a; Mont & Leire, 2009b; Carter & Jennings, 2004), demonstrating the strong interconnection between research and practice in this area. While not discussed in the literature, according to the observations of a few interviewees, the consumer goods industry and especially the apparel sector began earlier with implementing PSR than other industries. This could stem from the fact the consumer goods industry is the most visible to private consumers and as pressures from consumers towards organizations to implement CSR and PSR are very high, this could have in turn fostered the consumer goods industry to be one of the first implementing PSR on a comparably larger scale.

Furthermore, while research does not outline the current PSR status of organizations within the consumer goods industry, the participants of the qualitative study agreed that while the majority of organizations are today still being in the process of reaching a satisfactory and complete PSR implementation, the participants of this study who stemmed from organizations leading in sustainability view their current PSR status as very satisfactory in comparison to their peer group as e.g. expressed through the amount of received CSR or sustainability awards, reinforcing the choice of sample in this study. Nonetheless, the general notion of all respondents is that PSR is not a one-time event, but requires constant care and attention for continuous expansion and improvement. The question that arises here though is '*what is perceived as a satisfactory PSR implementation?*' The interviewees provided the following suggestions, which however require verification by future research:

- a status in which purchasing employees consequently and naturally follow PSR requirements and continuously expand their know-how on measures and standards and thus enhance processes and procedures along with their knowledge increase
- a scenario in which PSR is implemented into the entire organization, meaning that all departments that are dependent on the purchasing department follow specific PSR guidelines, rules, and measures
- a scenario in which PSR laws and regulations have been ultimately elaborated and determined and are adhered to by the organization

Another aspect confirmed by both the literature review and qualitative study is that PSR implementation is mainly an issue of MNC as the pressure for MNCs to implement PSR is more intense compared to SMEs and as such more common among large organizations (Andersen & Skjoett-Larsen, 2009; Baden et al., 2011; Bondy et al., 2012; Russo & Tencati, 2009; Cruz & Boehe, 2010; Jenkins, 2006; Murillo & Lozano, 2006; Vazquez-Carrasco & Lopez-Perez, 2013). However, the qualitative study suggests that in the future it is likely that PSR will need to be implemented in all organizations disregarding their size.

Taking a look at PSR consequences, in the qualitative study the participants agreed that despite PSR's positive effects including know-how increase of focal organizations, a stronger competitive edge, a higher customer satisfaction and

firm reputation, lower employee fluctuation, and a better supplier performance, the implementation also bears negative consequences: initial PSR implementation and long-term PSR maintenance costs, which cannot be transferred to the customer, leading to lower margins for organizations. As explained earlier in chapter 7.2 one will find that in PSR literature there are two opinions to the cost issue: on the one hand it is suggested that the implementation of PSR leads to overall cost reduction in the long-term, being a driver of implementation, and on the other hand it is suggested that the implementation bears short-term costs, creating a barrier to implementation. As research on this matter is rather scarce, further research is suggested to verify whether despite short- and long-term costs, PSR may indeed lead to cost reductions in the long run.

Another PSR consequence explained by multiple interviewees is that currently more and more companies develop their own monitoring software, despite the fact that focal firms often work with the same suppliers. Thus, multiple interviewees pointed out that more industry-wide collaboration and a standardized monitoring system are required, as the solution to sustainable business is nothing that can be achieved independently but only with great numbers. This forward-looking consequence may be linked to one of the key comments regarding the future of PSR, namely the hope of the majority of respondents that in the future companies industry-wide will work closely together on PSR as this is believed to be a mutual process. A dialogue has to be achieved and sensible solutions must be found on how to manage suppliers, e.g. in form of uniform standards and a standardized monitoring system.

Further key aspects the interview participants envision regarding the future of PSR comprise the fact that PSR importance and implementation will continue to increase along with the stakeholder demand to create full transparency on where products come from, as well as the idea to change the current mode of operation towards less control and more collaboration with suppliers. The aim is to train suppliers and enable them to alter their structures and processes according to PSR requirements to ultimately empower them to implement and continuously expand PSR activities by themselves. In fact, this may lead to a reduction of PSR costs as monitoring would be reduced and monitoring costs are suggested to be the major cost area (Lau, 2011).

In addition, the respondents expressed their hope that the terms CSR, PSR or sustainability will disappear to symbolize a new era of a holistic responsible business incl. responsible procurement which naturally involves sustainability, CSR, PSR and all other related terms.

Coming back to the key implementation measures, looking at Figure 84 on the next page, one will find that there is only little research on each of the key strategic CSR, SSCM, and PSR implementation measures. However, almost all of these measures were confirmed by the qualitative study to be of high importance for PSR implementation.

| | | CSR | SSCM | PSR | Qualitative study |
|--|--|-----|------|-----|-------------------|
| Strategic implementation measures | Clarification of the purpose of implementation | x | - | x | y |
| | As-is analysis | x | - | x | y |
| | Benchmarking | x | - | x | y |
| | Clarification of ethical basis | - | - | x | y |
| | Integration of the concept's strategy into the next greater concept and the overall business strategy | x | x | x | y |
| | Formulation of a PSR strategy | - | - | - | y |
| | Integration of stakeholders | xx | - | x | y |
| | Clarification of the optimal set and scope of initiatives and translation of the concept's goals into clear objectives | x | x | x | y |
| | Decision upon the degree of responsibility | - | - | x | y |
| | Understanding of own buying power | - | - | x | y |
| | Preparation of a business case | x | - | x | y |
| | Alignment of the concept's strategy with existing business initiatives and structures | x | - | - | y |
| | Integration of the concept's goals into employee performance measures | x | - | x | y |
| | Adaption of the organizational structure / setup of an implementation project team | x | x | - | y |
| | Communication of measures | xx | x | x | y |
| | Development of performance indicators for monitoring supply chain partners / supplier selection and monitoring | - | x | x | y |
| | Encouragement of the application of standards in the (upstream) supply chain | - | x | - | n |
| | Development of a common infrastructure and understanding | - | x | - | n |
| | Decision upon the right approach to roll out the implementation of the concept | - | - | x | y |
| | Decision upon the right approach to information provision for existing and potential suppliers | - | - | x | y |
| | Decision upon the right approach to select suppliers | - | - | x | y |
| | Decision upon the right approach to monitor supplier performance | - | x | x | y |
| | Decision upon the right approach to handle supplier non-compliance | - | - | x | y |
| | Decision upon further buyer-supplier activities | - | - | x | y |
| | Determination of how to measure own progress and performance | - | - | x | y |
| "xx" = extensive research; "x" = little research; "-" = no research | | | | | |
| "y" = confirmed by the qualitative study; "n" = not confirmed / not mentioned in the qualitative study | | | | | |

Figure 84: Overview of results: implementation measures

Those strategic implementation measures that were identified in PSR literature and were also confirmed by the qualitative study comprise:

- **Clarification of the purpose of implementation:**

When developing the PSR strategy, both research and the qualitative study suggest that firms should be clear of their strategic intent and their underlying motivation for PSR implementation, as this forms the basis for the resulting PSR strategy and shapes the way forward e.g. in terms of the decision upon PSR scope and the decision upon the degree of responsibility (Mont & Leire, 2009b; Roberts, 2003). In general, there are various reasons why firms engage in PSR activities, e.g. some firms use it as a strategic measure, others as a defensive act and still others due to altruistic reasons (Vogel, 2005a). For example, firms with a strong focus on non-financial benefits may be more likely to increase their PSR scope whereas firms focusing on costs may be rather trying to narrow down their scope of PSR activities.

- **As-is analysis:**

Prior to developing any strategy, academics claim that it is essential to understand what the company has accomplished to date, e.g. in comparison to other companies in the same industry (Mirvis & Googins, 2006; Zadek, 2004). This enables framing strategic choices on where PSR should be heading and allows embedding PSR in a greater strategic picture. While PSR literature does not discuss any further details on this matter, multiple CSR scholars suggest that the first step prior to formulating a CSR strategy consists of an as-is analysis of the current partial CSR practice, CSR related business activities, and other CSR relevant basic information (Kummer, 2009; Lindgreen et al., 2011; Cramer et al., 2004; Maignan et al., 2005; Maon et al., 2009; Hardtke & Kleinfeld, 2010). The objective is to obtain a clear picture of the starting position and understand how the organization is positioned in terms of CSR (Hardtke & Kleinfeld, 2010). This assessment should include a review of existing mission and vision statements, codes of conduct, norms, principles, and values, an overview of the organizational structure incl. key departments and persons in charge, as well as existing CSR related certification (Maon et al., 2009; Hardtke & Kleinfeld, 2010).

While the as-is analysis was confirmed by the qualitative study to be a key strategic implementation measure, the answers provided did not match the depth of research. Nonetheless, the subject matter experts enhanced existing knowledge and further emphasized that usually companies already have certain (parts of) PSR activities in place without formally recognizing them as PSR. Therefore, it is important to review the entire supply chain and bundle PSR activities under one umbrella prior to formulating PSR measures.

- **Benchmarking:**

Both research and the qualitative study agree that benchmarking PSR practices of competitors is a very important measure to derive PSR knowledge and best practices from. This is particularly useful as top management often lacks information on how to embrace the trend towards PSR and lacks knowledge on how to implement the necessary changes regarding purchasing strategy and processes (Björklund, 2010). In order to counter this problem, it is thus suggested that organizations should use benchmarks in order to understand how to tackle PSR implementation (Björklund, 2010). This is also supported in the literature on CSR, which emphasized that learning from forerunners presents great advantages for CSR implementation (Mirvis & Googins, 2006; Maon et al., 2009; Graafland et al., 2004; Hoejmose & Adrien-Kirby, 2012; Kummer, 2009). Overall, the majority of interviewees emphasized that this is usually not conducted as a formal benchmark but rather as an open dialogue with competitors. Here, future research could analyze which benchmark approach is the most suitable for PSR implementation.

- **Clarification of ethical basis:**

While both PSR research and the qualitative study agree that the ethical basis of PSR needs to be clarified and summarized in a code of conduct, as explained in the previous chapter (Hoejmose & Adrien-Kirby, 2012; Winstanley et al., 2002; Vassallo et al., 2008), the subject matter experts outline that mostly organizations have one generally applicable PSR standard in place that applies to all suppliers in all regions instead of different ethical standards adjusted to local conditions. This reduces the

complexity regarding coaching suppliers on PSR requirements and regarding supplier monitoring. Researchers, however, argue that what is considered as the right approach to PSR in one country, may be perceived differently in another e.g. developing country (Hoejmose & Adrien-Kirby, 2012; Winstanley et al., 2002; Vassallo et al., 2008), as ethical expectations often vary in the producing and consuming markets (Cooper et al., 2000; Kitchin, 2003; Walker & Phillips, 2009) and as such suggest to adjust ethical standards according to local conditions. As no consensus could be reached on this matter, future research is recommended to verify which approach is superior for focal firms.

- **Integration of the concept's strategy into the next greater concept and the overall business strategy:**

Both research and the qualitative study suggest that the PSR strategy should be derived from and fit to the broader business, CSR, or sustainability strategy (Mirvis & Googins, 2006). Research further outlines that the PSR strategy should be based on the firm's vision, mission, corporate norms, values and culture to create a coherent picture (Hayes & Wheelwright, 1984). While research did not outline how this task is conducted, in the qualitative study a few respondents emphasized that usually several workshops at the top management level are held in which the elements of the existing strategies are discussed and enhanced with PSR elements to ultimately derive a complete PSR strategy. One interviewee explained that for this a matrix was used demonstrating the importance level and implementation complexity level for each strategic element to simplify the discussion.

- **Integration of stakeholders:**

According to PSR research and the qualitative study, organizations must consider demands from all corporate stakeholders, since they are the ones who bring ethical demands to the attention of organizations. Hence, they should be integrated into the PSR strategy formulation (McWilliams & Siegel, 2001; Wolf, 2011). While this is also confirmed in CSR literature, CSR research provides further insights on this matter, which are also confirmed by the qualitative study, namely the fact that stakeholders should

also be considered and involved in the formulation of clear CSR objectives and implementation measures (Stentoft Arlbjörn et al., 2010; Valmohammadi, 2011; Duarte & Rahman, 2010; Maon et al., 2009; Kummer, 2009; Schmitt, 2005; Hardtke & Kleinfeld, 2010; O'Brien et al., 2018). Moreover, in the qualitative study it is further suggested that the integration of stakeholders - and hereby especially NGOs, governmental bodies, and consultancies specialized in customer analysis or sustainability - is essential in the process of PSR implementation but also beyond the implementation in form of a continuous stakeholder dialogue. Engagement in multi-stakeholder-initiatives may be used to gain respective knowledge and advice on PSR implementation as well as on changing customer demands, perspectives, and innovative processes and technologies that may be useful for PSR operations. Unfortunately neither PSR literature nor the qualitative study explains how the integration of stakeholders is usually conducted. Taking a look at CSR literature, it is suggested that this process typically begins with a stakeholder identification, analysis, and prioritization (Hardtke & Kleinfeld, 2010). The challenge is to identify those stakeholders that have the highest importance for the company and those that will be strongly affected by CSR. They should further represent a great majority of certain stakeholder groups. This challenging task of identifying appropriate stakeholders is claimed to be necessary due to pragmatic reasons: considering their numbers not all stakeholders and stakeholder groups can be (physically) involved in the stakeholder dialogue (Maon et al., 2009; Hardtke & Kleinfeld, 2010; Mitchell, Agle, & Wood, 1997). Once stakeholders are identified they should be contacted and brought together to discuss the CSR expectations, draft a CSR strategy and provide parameters for the implementation. Often, organizations involve external consultants as moderators to support the process with their expertise and ensure efficient and effective workshops (Hardtke & Kleinfeld, 2010). While this seems as a pragmatic measure, whether this approach derived from CSR literature for stakeholder integration applies to the case of PSR, requires future research.

- **Clarification of the optimal set and scope of initiatives and translation of the concept's goals into clear objectives:**

When clarifying the optimal set and scope of PSR initiatives, almost all subject matter experts agreed on the fact that organizations put a specific emphasis on a particular PSR scope, confirming academic literature outlining that mastering excellence in all PSR dimensions (labor and human rights, health and safety, diversity, environment, community, ethics, financial responsibility) and activities is too difficult and not possible due to limited resources (Lau, 2011). For example, the majority of interview participants emphasized that their employers follow the social and environmental dimension of PSR, paying less attention to the economic dimension. Also the breadth and depth of measures within these dimensions differs depending e.g. on the underlying source of knowledge for determining PSR scope. Nonetheless, both the interview participants and research acknowledge that companies have the general desire to follow the entire PSR scope balancing the triple bottom line areas incl. people, planet, and profit (Schneider & Wallenburg, 2012; Walker & Jones, 2012).

In order to clarify the set and scope of initiatives and translate these into clear objectives, organizations typically turn to a number of different external sources as outlined in chapter 7.2, Furthermore, as supplemented by the qualitative study, they use the following internal sources and methods to delimitate the scope and emphasis: consideration of own capabilities regarding monitoring suppliers, own understanding of industry emphasis, as well as hot spot analyses and materiality assessments. Moreover, PSR scope should comprise those criteria that are measurable, such as certificates. In the best-case scenario, PSR activities should only go as far as long as they do not negatively affect the firm's margin and retail price for consumers. Overall, the respondents agree that the PSR emphasis is volatile, meaning that PSR objectives are regularly adjusted to meet (new) stakeholder demands.

- **Decision upon the degree of responsibility:**

In line with clarifying the scope of PSR, according to PSR literature and the qualitative study organizations also decide upon the degree of responsibility,

or in other words on the PSR reach. This is one of the core strategic questions discussed in PSR research and also the qualitative study confirmed these considerations to be a major task in PSR implementation (Lambert, 2008; Wolf, 2011). But what does it mean? Multinational corporations have contracts with a variety of suppliers. However, despite direct suppliers, MNCs also have indirect relationships with the suppliers of their suppliers and even though the ultimate goal for organizations should be to implement PSR in the entire upstream supply chain, similar to the aim to implement the entire PSR scope, in practice this usually does not happen due to limited resources and highly complex supply chains. For example, MNCs often have thousands of direct and indirect suppliers, which are often changing, and managing PSR and capturing data from all supplier tier levels is often not possible due to system restrictions and a limited manpower to collect and process this data.

As such, organizations need to decide how many suppliers the firm can and wants to be responsible for in regards to PSR (e.g. only direct tier 1 suppliers, key suppliers, tier 1 and tier 2 suppliers, or even the entire upstream supply chain). The more suppliers are included, the higher is the degree of complexity and resources needed, while transparency and control decrease (Lambert, 2008; Wolf, 2011).

While research emphasizes that as a best-case scenario all suppliers should be integrated into the PSR strategy, meaning that PSR requirements should apply to all suppliers (Wolf, 2011; Andersen & Skjoett-Larsen, 2009; Mont & Leire, 2009a; Mont & Leire, 2009b; Krause et al., 2009; Miemczyk et al., 2012; Lee & Kim, 2009; Roberts, 2003), only half of the qualitative study respondents confirmed that their organizations follow this objective. The other half of respondents follow the objective to ensure compliance for basic PSR requirements for all suppliers and advanced PSR requirements for specific groups of suppliers. The majority of interviewees reported that the specific group of suppliers are usually their direct / tier 1 suppliers from which they demand to follow (advanced) PSR requirements and who are then requested to pass on the PSR requirements to their suppliers. The main reason provided is that legally focal firms have only contracts with their direct suppliers. This method of transferring PSR responsibility and control

to successive suppliers is also acknowledged by research (Wolf, 2011). Besides the tier grouping, the qualitative study further supplements existing research, by suggesting that suppliers may also be categorized according to the following attributes: by the largest purchasing volume, by risk assumptions, by product groups, by market positioning, by length and intensity of buyer-supplier relationship or by strategic importance. Which method is superior in a specific scenario is subject to future research.

- **Understanding of own buying power:**

One of the key determinants of enforcing PSR compliance is the degree of the organization's bargaining power, which needs to be kept in mind when implementing PSR (Hoejmose & Adrien-Kirby, 2012). Buying firms, who hold a limited bargaining power against a specific supplier, may not be able to achieve PSR compliance if the supplier shows no interest in PSR (Pedersen & Andersen, 2006). Here both PSR research and the qualitative study suggest that organizations should engage in cooperations with other firms holding a high buying power against a particular supplier, or in buying alliances to increase their buying power and enforce these suppliers to follow PSR guidelines (Chae & Heidhues, 2004).

- **Preparation of a business case:**

Both research and the majority of the respondents in the qualitative study confirm that similar to any company initiative preparing a business case is a major implementation step aiming to ensure sufficient financial resources for this undertaking and aiming to justify that the planned PSR implementation is financially sustainable (Leire & Mont, 2009).

While in PSR literature, no specific details on the PSR business case are provided, CSR scholars outline that a CSR business case may rely on: a calculation of the reputational impact, an estimation of the overall costs versus the reputational benefits, an estimation of the impact on the competitive advantage, estimations on cost and risk reduction (Zadek, 2004; Carroll & Shabana, 2010; Kurucz et al., 2008), impact on access to capital, as well as impact on financing and investor relations (Heslin & Ochoa, 2008). However, as these aspects were neither confirmed by PSR research

nor by the qualitative study, future research is required to evaluate whether these aspects apply to the case of PSR and how these aspects may be calculated.

Taking a look at the results of the qualitative study, they show that organizations usually only consider the cost-side of this undertaking when preparing the business case, as PSR benefits are perceived to be intangible and thus too difficult to measure. This corresponds to the general notion in CSR and PSR literature (Curkovic & Sroufe, 2007; Hoejmoose & Adrien-Kirby, 2012). However, multiple interviewees outlined that in general the benefits are perceived to be much higher than the costs to PSR implementation. They are based on customer perception to PSR implementation and also require further research. The cost-side on the other hand usually comprises an estimate of the financial, human and technical expenses that are required for PSR implementation and maintenance. More precisely, these costs comprise expenses regarding monitoring systems and risk analysis tools, audits, consultants, training, additional resources, as well as fees to access databases to obtain supplier information.

- **Integration of the concept's goals into employee performance measures:**

While the integration of PSR goals into employee performance measures has only been outlined by one study of Carter et al. (1998, p. 31) suggesting that *“the extent to which purchasing managers are evaluated on environmental purchasing is positively related to environmental purchasing”*, this measure was confirmed by the qualitative study to apply to the entire PSR concept covering all three areas people, planet, and profit. However, the method used varies from one company to another and requires the attention of future research to determine the most suitable approach. A few reported that their employers monetarily incentivize their purchasing employees to fulfill certain PSR KPIs such as a specific amount of suppliers in the database that are classified as ‘top PSR performers’, while others do not monetarily incentivize their employees and formulate rather qualitative PSR goals, such as the proactive communication of PSR guidelines to suppliers.

Furthermore, some apply this incentive to the top management only, while others apply it to the entire purchasing staff. Nonetheless, the majority of respondents outlined that PSR objectives should become a part of the purchasing staffs' job description and be incorporated into employee performance measures as this is believed to have a positive impact on the implementation. By this organizations motivate employees to follow PSR requirements and foster PSR progress by giving them an (financial) incentive to balance pricing and PSR aspects. This includes the establishment of rewards for goal achievement usually based upon a (existing) bonus system and penalties for non-conformance. Overall, all interviewees agreed that the integration of PSR goals into performance measures has been already conducted or the firm has developed plans for this task.

- **Communication of measures:**

Both scholars and this study's participants confirmed that in the beginning of the PSR implementation and also later on a regular basis, written statements explaining PSR activities need to be communicated and made transparent to the organizations' stakeholders (Björklund, 2010; Elg & Hultman, 2011). Usually external communication is integrated into the annual report or the CSR / sustainability report, such as GRI4. This is suggested to enhance legitimacy and the obligation to reach PSR objectives (Maon et al., 2008; Hardtke & Kleinfeld, 2010; Lee, Fairhurst, & Wesley, 2009; Juriatti et al., 2017; Lim & Greenwood, 2017; Kollat & Farache, 2017) and further corresponds to the fact that due to external stakeholder pressures to implement this concept, organizations often proactively communicate their sustainability activities to satisfy stakeholders (Tate et al., 2010; Maon et al., 2009; Sen & Bhattacharya, 2001; Cerin, 2002; Seitanidi & Crane, 2009; Campbell, 2007; Hinson & Kodua, 2012; Juriatti et al., 2017; Lim & Greenwood, 2017; Kollat & Farache, 2017).

Looking at internal communication the qualitative study confirms research on the communication of CSR measures, enhancing existing PSR research. It is suggested that next to external communication, also employees need to be informed and made aware about the upcoming PSR implementation.

Informing and raising awareness of employees and especially of purchasing employees is suggested to be especially important, as they will be strongly affected by PSR implementation. Communication and active involvement in the upcoming change process may be conducted through information provision through the firm intranet, e-learning, training, workshops, speeches, and newsletters. Moreover, communication should include messages from top management to increase the topic's legitimacy. The qualitative study further emphasizes that purchasing staff needs to be trained on an ongoing basis regarding new PSR requirements.

One aspect that seems to be essential to PSR, however, is currently only suggested as an important measure by SSCM literature, is a supply chain-wide communication. Communication in the supply chain is viewed as key to achieving sustainability as it enhances collaboration (Seuring & Müller, 2008; Wittstruck & Teuteberg, 2011; Essig & Arnold, 2001; Morali & Searcy, 2013; Perry & Towers, 2012) which in turn may enable joint product developments (e.g. sustainable products) (Sarkis et al., 2011; Perry & Towers, 2012), increased levels of planning and lead to efficient use of resources (Morali & Searcy, 2013). Furthermore, usually information and knowledge are not equally spread in a supply chain. Thus, an ongoing communication can decrease the information dissymmetry and enhance the understanding for the conditions and operations of each supply chain partner (Sarkis et al., 2011; Perry & Towers, 2012). Whether this supply chain-wide communication applies to PSR requires further research.

- **Development of performance indicators for monitoring supply chain partners / supplier selection and monitoring:**

Both research and the qualitative study confirm that organizations need to determine their requirements / KPIs for suppliers (and zero-tolerance criteria, that hinder or end contracts with suppliers), which are usually derived from PSR scope and are attached to the existing classic commercial KPIs such as price and quality (Blowfield, 2000; Wong et al., 2012; Lau, 2011; Goebel et al., 2012). While exact metrics were not discussed, according to the qualitative study and also to PSR research (Wong et al., 2012) these KPIs are usually based upon existing standards, norms, and

certifications as well as local laws and regulations as presented in chapter 7.2. Most likely these KPIs have not yet been discussed in literature due to the fact that PSR is still a rather small research area and has only recently gained more attention.

- **Decision upon the right approach to roll out the implementation of the concept:**

Both research and the qualitative study confirm that organizations need to determine how they plan to roll out PSR implementation and both sources of knowledge emphasize that usually the PSR rollout happens gradually, typically beginning with information provision to suppliers, including the code of conduct and contract as well as an overview of PSR requirements (Leire & Mont, 2009; Cramer, 2008). In case suppliers are not familiar with PSR, almost all respondents agreed that focal firms provide information on PSR and offer PSR training. Afterwards suppliers are typically asked for a PSR self-assessment incl. proof of specific certification such as the SA 8000. In a later phase, once suppliers had the chance to implement PSR measures, suppliers are usually audited against PSR and other criteria to verify the status quo and compare and document the gap between the current and desired status in order to in the next step either support suppliers to reach the desired status or end contracts with suppliers that are unlikely to meet the desired status. The interview respondents further outlined that organizations usually cluster suppliers into specific groups, e.g. by product, purchasing volume / value, or strategic importance, to audit them sequentially group by group. Furthermore, both PSR research and the respondents suggest that due to the fact that firms naturally already have business contracts with suppliers prior to implementing PSR, the PSR rollout should be first focused on existing suppliers (Leire & Mont, 2009; Cramer, 2008). Overall, the benefit of an uneven rollout, as mentioned by a few interviewees, is a rising learning curve how to best rollout PSR.

While not specified in PSR literature, the qualitative study provided further information on the rollout, namely the aim of organizations to achieve transparency over the upstream supply chain for which organizations often extend or develop new IT tools and systems. In fact, almost all interview

participants confirmed that their employers developed specific databases to collect and analyze supplier data based on audit criteria. In essence, the suggested method is to collect and record basic supplier data along the products and raw materials purchased to achieve an overview of the entire supplier base. In fact, in SSCM research scholars go even further by suggesting to develop a common (IT) infrastructure among supply chain parties to support the development and exchange of knowledge and expertise, and to enable efficient collaboration (Fynes et al., 2011; Wittstruck & Teuteberg, 2011; Mentzer et al., 2002). Indeed, a few qualitative study participants reported that suppliers have access to their PSR database to be able to verify their PSR status and implement measures to improve it. Here further research is required.

- **Decision upon the right approach to information provision for existing and potential suppliers:**

Confirming PSR research (Lau, 2011; Ciliberti et al., 2008; Jamison & Murdoch, 2004), the qualitative study argued that leading PSR organizations prepared their suppliers for the PSR implementation, confirming this step to be part of the key strategic PSR implementation measures. The preparation was usually integrated into regular supplier visits / communication and typically began with explanations of the PSR background, reasons, scope and expectations in personal meetings (Leire & Mont, 2009b; Ciliberti et al., 2008) or using written communication (Lau, 2011; Ciliberti et al., 2008; Jamison & Murdoch, 2004), followed by a provision of the code of conduct (Leire & Mont, 2009b; Ciliberti et al., 2008; Hoejmose & Adrien-Kirby, 2012; Roberts, 2003; Welford & Frost, 2006; Kolk & Van Tulder, 2002; Björklund, 2010; Lau, 2011; Harms et al., 2013), restricted substance lists, as well as (on-site) training or local seminars e.g. offered through professional CSR associations (Leire & Mont, 2009b; Ciliberti et al., 2008). As a next step suppliers were informed about first expected objectives in given timeframes (Lau, 2011).

- **Decision upon the right approach to select suppliers:**

Confirming PSR research (e.g. Lau, 2011; Ciliberti et al., 2008; Harms et al., 2013; Seuring & Müller, 2008; Beske & Seuring, 2014; Björklund, 2010), all interviewees in the qualitative study emphasized that a decision upon the right approach to select suppliers was key to the PSR implementation process. Furthermore, the qualitative study confirmed the measures of this step as outlined in PSR research: organizations typically gather self-assessments on PSR from suppliers and require them to sign their code of conduct on PSR (Lau, 2011; Ciliberti et al., 2008). As a second step they verify whether the potential new suppliers comply with PSR requirements and whether the information provided in the self-assessments are true. To do so, organizations typically rely on frequent supplier audits, which are either announced or unannounced, verification of standard certificates, as well as audit reports of specific associations such as BSCI (Lau, 2011; Lippman, 1999; Handfield et al., 2002). Here, research emphasizes that especially the review of standards and certificates is perceived as a very simple and efficient process to evaluate the suitability of potential suppliers (Müller et al., 2009; Srivastava, 2007). Certification further ensures uniformity in social understanding and simplifies compliance monitoring through e.g. audits (Müller et al., 2009; Beske et al., 2008). Typical standards include ISO norms, such as ISO 9000 or ISO 14000 / 14001 for quality and environmental aspects, and SA 8000 certificates for social issues (Hoejmose & Adrien-Kirby, 2012; Boyd et al., 2007; Beske et al., 2008).

- **Decision upon the right approach to monitor supplier performance:**

In essence, both research and the qualitative study agree that currently the primary measure to achieve supplier compliance with PSR is conducted through supplier monitoring and controls followed by sanctions in case of non-compliance (Boyd et al., 2007; Björklund, 2010; Beske et al., 2008; Yawar & Seuring, 2015; Andersen & Skjoett-Larsen, 2009; Ciliberti et al., 2009; Amaeshi et al., 2008; Hoejmose & Adrien-Kirby, 2012; Mamic, 2005). At the same time, even though not in the near future, according to the interviewees leading PSR organizations aim to change the current mode of operation towards less control and more collaboration. The aim is to train suppliers and enable them to alter their structures and processes according

to the PSR requirements of focal firms. This is also supported by PSR research, emphasizing that monitoring suppliers receives much criticism to not be the appropriate measure to achieve supplier compliance as e.g. it signals distrust towards the supplier and thus may lead to opportunistic and non-compliant actions by the supplier (Murry & Heide, 1998; Boyd et al., 2007; Baden et al., 2009). Instead it is suggested that awareness, training, collaboration and shared goals are key to supplier compliance. As such, a few scholars including Boyd et al. (2007) and Van Weele and Van Tubergen (2017) suggest that the right path to supplier compliance consists of implementing a low level of monitoring and a high level of collaboration, open communication and trust, as these are essential aspects of a successful buyer-supplier relationship. However, both research and the majority of interviewees emphasize that it is much more common to evaluate supplier performance based on audits, than to focus on trust and the establishment of good buyer-supplier relationships (Johnsen et al., 2008).

Despite the different opinions to the monitoring approach, both research and the qualitative study suggest that the approach to monitor supplier performance needs to be determined (Smith, 2003). In general, the central question here is 'how much is enough?'. Focal MNCs usually purchase products from hundreds of suppliers and sub-suppliers. Hence, organizations need to decide which type of monitoring approach they would like to follow for which (group of) suppliers. For example, firms need to determine whether all suppliers and sub-suppliers will be audited following the same procedure, and how often audits will be conducted (Smith, 2003).

According to research and the qualitative study PSR supplier monitoring involves comparing supplier claims and actual supplier conditions with the underlying codes of conduct and other written statements designed by the focal company, which were typically signed along with the business contract (Lau, 2011; Björklund, 2010). Overall, organizations may choose between internal, external audits, and group audits including questionnaires, announced and unannounced factory inspections (Björklund, 2010; Lau, 2011), e.g. including interviews with supplier management and their workers (Ciliberti et al., 2008). The qualitative study confirmed that leading PSR organizations rely on the verification of standards and certificates, as well as

frequent supplier audits, which are either announced or unannounced. More than half of the interviewees mentioned external or group audits, while the other half named own audits. Furthermore, multiple interviewees reported that they rely on those suppliers who were already confirmed as PSR compliant by certain associations or rating agencies. Overall, there is currently no uniform opinion on the right approach to monitoring supplier PSR performance, leaving room for future research.

- **Decision upon the right approach to handle supplier non-compliance:**

According to both research and the qualitative study, organizations need to decide which approach they would like to follow in case of supplier non-compliance with PSR (Björklund, 2010). In the qualitative study it was further suggested that the determined non-compliance measures should be communicated to the suppliers, so that they are aware of the consequences. Looking at research, it is suggested that depending also on the bargaining power of focal firms, organizations may decide between not taking on new suppliers that do not fulfill PSR requirements or terminating business contracts with non-compliant suppliers (Graafland et al., 2003; Welford & Frost, 2006; Leire & Mont, 2009b; Maignan et al., 2002; Ciliberti et al., 2008; Graafland, 2002; Amaeshi et al., 2008), jointly analyzing improvement possibilities and providing a chance for these suppliers to realize this improvement, often involving business on-site advice (Pedersen & Andersen, 2006; Lau, 2011; Björklund, 2010; Mamic, 2005; Ciliberti, et al., 2008; Andersen & Skjoett-Larsen, 2009; Leire & Mont, 2009b; Andersen & Skjoett-Larsen, 2009), or even sharing investments to support suppliers in reaching the required PSR status (Andersen & Skjoett-Larsen, 2009; Lau, 2011; Hoejmose & Adrien-Kirby, 2012; Pedersen & Andersen, 2006). In fact, research suggests that breaking off relations is the most prominent method used regarding supplier non-compliance (Graafland et al., 2003; Welford & Frost, 2006; Leire & Mont, 2009b; Maignan et al., 2002; Ciliberti et al., 2008; Graafland, 2002; Amaeshi et al., 2008). In the qualitative study half of the participants confirmed PSR research by outlining that suppliers are not taken on that do not comply with PSR standards prior to the contract and that in case of existing suppliers who violate PSR requirements contracts are broken off, while the other half reported that in case potential or existing

suppliers do not meet the necessary standards, they are given time to implement corrective measures and are often provided with (on-site) training, advice and information to achieve the desired status. However, once the deadline for corrective measures is reached and the supplier still has not met PSR requirements, all respondents agreed on ending the contract. Furthermore, it was reported in the qualitative study that suppliers over which firms have a low bargaining power are treated the same regarding PSR non-compliance as companies over which they have a high bargaining power.

In addition to research, the respondents emphasized one exception to supporting suppliers in reaching the desired PSR status, namely zero-tolerance criteria - criteria that so strongly contradict PSR elements that a contract and support are ruled out. In that case contracts with these suppliers are ended or in case of new suppliers they are not taken on.

- **Decision upon further buyer-supplier activities:**

PSR research suggests that besides informing, selecting, and monitoring supplier compliance, organizations may also provide additional ongoing training and knowledge to suppliers (Björklund, 2010; Ciliberti et al., 2008; Mamic, 2005, Lau, 2011; Hoejmosse & Adrien-Kirby, 2012). This includes sharing of expectations, experiences, and information, e.g. in form of skill training or specific technical assistance (Lau, 2011; Lippman, 1999; Ciliberti et al., 2008). Furthermore, focal firms may also provide compliance rewards in regards to PSR compliance of suppliers (Björklund, 2010; Pedersen & Andersen, 2006; Amaeshi et al., 2008). These rewards may include joint investments in environmentally friendly machines, exclusive rights to deliver specific products to the buying firm, or collaboration in the continuous improvement of the PSR code of conduct (Pedersen & Andersen, 2006). While ongoing training and assistance were confirmed by the qualitative study, the other aspects were not discussed and require further research.

- **Determination of how to measure own progress and performance:**

Besides the suggestion to develop an IT-based performance-tracking tool to measure progress and performance against the formulated PSR goals and

objectives, there is scant literature on PSR performance tracking, even though it is acknowledged that PSR progress tracking is an important measure when implementing PSR (Björklund, 2010). Here, the qualitative study comes into place providing several examples how this can be tackled. However, future research is required to supplement research on the identified measures:

- **On the product level:** share of products with a sustainable sourcing label, e.g. BSCI, Fairtrade, Cotton Made in Africa Label, or Ökotex.
- **On the standards level:** number of implemented standards in the supply chain
- **On the supplier level:** number of suppliers that adhere to PSR requirements, e.g. according to audits, number of certified suppliers through, e.g. BSCI, average PSR level of suppliers, e.g. some suppliers fulfill PSR requirements to a 100%, others to 70%, etc.
- **On the strategic level:** target achievement per PSR KPI (either internally developed or derived from a standardized report such as GRI), e.g. number of PSR audits in a certain amount of time or reduction of CO₂ in the upstream supply chain

In general, while only reported by a few respondents, it is suggested that there are two premises for tracking PSR progress: an existing PSR strategy and external reporting on PSR, as in order to fill out certain information in the external report such as GRI, PSR progress needs to be tracked. Overall, almost all respondents confirmed that their employers or clients have determined how to measure own PSR progress and performance.

Apart from PSR literature, a few additional elements were suggested by the qualitative study to be part of the key strategic PSR implementation measures. They comprise the following:

- **Formulation of a PSR strategy:**

While only extensively discussed in the end study, all participants agreed that the formulation of a PSR strategy is indeed an important measure to PSR implementation, further emphasizing that a PSR strategy is not written in stone, but reviewed and adjusted on a regular basis to meet stakeholder demands. How the strategy is developed is explained earlier when discussing the integration of the concept's strategy into the next greater concept and the overall business strategy.

- **Alignment of the concept's strategy with existing business initiatives and structures:**

Taking a look at academic literature, only CSR scholars specifically suggested that CSR needs to be aligned with existing business initiatives and structures, such as risk management and compliance, corporate image and marketing, stakeholder management as well as standards and certification to avoid redundancy and ensure efficiency (Mirvis & Googins, 2006). Furthermore, CSR should be embedded in the existing organizational structure (Schmitt, 2005; Kummer, 2009). On the operational level it is proposed that firms may need to create new job positions, invest in additional human resources and the development of expertise as well as in incentive systems (Longoni, Golini, & Cagliano, 2014). Also, it should be assessed how to best add CSR objectives into existing performance management systems and other relevant IT systems to be able to track and report on CSR performance (Wolf, 2011).

Looking at the qualitative study, several aspects from CSR research were confirmed to apply to PSR as well. They comprise the fact that in order to implement PSR, organizations adapt their business processes and structures, e.g. to gather and evaluate supplier information, they also change their IT systems, merchandise management systems and integrate new processes regarding supplier selection and compliance as well as regarding progress and performance tracking. Furthermore, they change responsibilities, invest in human resources and knowledge development, change internal and external reporting, and marketing communication. As multiple respondents emphasized, especially the integration of PSR into

existing IT systems is very important. For example, adjustments in IT systems are required to allow supplier data collection and analysis of supplier PSR performance. In fact, almost all interviewees responded that their employers developed specific databases to collect and analyze supplier data based on audit criteria. Often, these databases collect and analyze data beyond tier 1 suppliers, up to entire upstream supply chains.

Furthermore, a few interviewees reported that their suppliers have access to this database to share information as well as to be able to track their status anytime in order to implement specific measures in case they do not match the desired KPI levels. One interviewee described the database use more thoroughly by explaining that the so-called 'CSR map' is fed by the SAP system with its master data (product data), audit reports from a variety of sustainability institutes, corruption and economic indices and real time data - providing a sustainability cockpit for products. Overall, the aim of these databases is to collect and record basic supplier data along the products and raw materials purchased to achieve an overview of the entire supplier base.

From the Human Resources perspective, the respondents agreed that new roles, positions and tasks that are required to implement and maintain PSR need to be determined, confirming the other key implementation measure **“adaption of the organizational structure / setup of an implementation project team”**.

- **Adaption of the organizational structure / setup of an implementation project team:**

While in PSR research no clear information on the organizational structure is provided, e.g. CSR research recommends setting up a central department for the implementation and maintenance of CSR (Kummer, 2009; Schmitt, 2005; Hardtke & Kleinfeld, 2010). A few scholars emphasize that CSR departments should be directly connected to the management board, due to their long-term strategic task and to signal the importance of CSR (Schmitt, 2005; Kummer, 2009). Furthermore, next to the strategic CSR department, ties and linkages need to be established to all major business departments and CSR experts should be positioned in each of these departments, e.g. in

production, marketing, purchasing, or HR. HR (Kummer, 2009; Schmitt, 2005; Hardtke & Kleinfeld, 2010). These CSR experts should not only possess CSR expertise but also specific business function expertise to be able to advise the various departments on CSR topics as well as derive and execute particular CSR measures within their departments (Schmitt, 2005).

In the qualitative study it was reported that those responsible for PSR implementation usually stem from multiple business disciplines such as top management, CSR department and purchasing department, who together determine the PSR approach and build a project team required for the implementation. According to the majority of respondents the actual operation of PSR, once the implementation is on the right course, should be then bundled within a central interdisciplinary CSR team to concentrate all sustainability concepts in one uniform team. In other words, the central sustainability / CSR team should oversee and bundle CSR topics and subtopics such as PSR and ensure that it is followed completely. The reason for installing a central team is to ensure that the purchasing personnel does not experience an ongoing target conflict balancing PSR and commercial criteria. Furthermore, the underlying assumption is that the purchasing team has already a high workload regarding their daily business and should not be burdened with additional tasks that require specific know-how. In practice the daily business looks as follows: once a purchaser wants to sign a contract with a supplier, he or she first has to ask the central CSR team for their approval which they decide upon after reviewing the supplier's PSR information. Despite the reported benefits of this setup, a few interviewees pointed out that when purchasing staff is required to follow guidance of another team, often conflicts arise in this scenario, because a separate team has the ultimate power over purchasing decisions. Purchasers might thus feel disappointed when they cannot meet their purchasing targets due to PSR requirements by another department.

As such, in contrast to this central CSR team setup, a little less than half of the respondents suggest to integrate PSR into the existing purchasing department. One interviewee explained this further by emphasizing that PSR should be integrated in that department that is directly accountable for PSR success. And purchasing personnel are the ones who are in contact with

suppliers, meaning that they need to have the knowledge, expertise and executive power to transform their suppliers business.

Overall, there was no consensus found on which team setup is superior. Going by the number of answers however, the central CSR team seems to be the one applied in practice the most. Here, future research is recommended. Moreover, the majority of interview respondents confirmed CSR literature outlining that the head of the particular team responsible for PSR is usually a direct report to the CEO (Schmitt, 2005; Curbach, 2009).

The other group of PSR implementation measures - those that were mentioned in CSR and / or SSCM literature but were neither confirmed by PSR literature nor by the qualitative study and are as such not perceived as being part of the key strategic PSR implementation measures - comprise the encouragement of the application of standards in the (upstream) supply chain (Vachon & Klassen, 2008; Morali & Searcy, 2013) and the development of a common infrastructure and understanding (Fynes et al., 2011; Mentzer et al., 2002; Gold et al., 2010; Wittstruck & Teuteberg, 2011). While the majority of participants agree that the application of standards is usually required for suppliers, the interviewees do not perceive this as a key strategic PSR implementation measure but rather as a tool used in monitoring PSR compliance of suppliers. Looking at the development of a common infrastructure and understanding, while this was discussed in SSCM literature only, in the qualitative study a few respondents reported that their suppliers have access to the CSR database of the focal firm to share information as well as to be able to track their status anytime in order to implement specific measures in case they do not match the desired KPI levels. However, this is not the same as developing a common infrastructure and understanding, as in this scenario the tool only enables access to the database of the focal firm.

To sum up, a great array of measures derived from PSR literature were confirmed by the qualitative study, enhancing previous findings from this scarce research field. More importantly, several measures that were not previously identified in PSR literature were added to the key strategic PSR implementation measures as a result of the discussions in the qualitative study, following to a

large extent previous findings from CSR and SSCM research. Overall, a quite large number of implementation measures is suggested to be part of the key strategic PSR implementation measures, aiming to serve as a blueprint for future studies in this area.

Following the discussion in this chapter, Figures 85 and 86 depict the identified key strategic PSR implementation measures and summarize which measures were ultimately confirmed by either the qualitative study or by PSR literature. While the presented measures were discussed in detail on the previous pages, the following figures show that 23 out of 25 measures were ultimately confirmed in this study. Moreover, more than half of the identified measures in PSR literature were also discussed in CSR and SSCM literature. While the comparably general measures such as clarification of the purpose of implementation, as-is analysis or benchmarking were reflected in all three strings of literature, CSR, SSCM, and PSR, PSR-specific measures such as the decision upon the right approach to information provision for existing and potential suppliers, decision upon the right approach to select suppliers or monitor supplier performance were almost exclusively discussed in PSR literature. As such, the quite strong overlap between the three research areas is again visible in the case of key strategic implementation measures, however rather limited to general implementation activities.

| | | confirmed in PSR literature | suggested to be valid by the qualitative study | Sources |
|--|--|-----------------------------------|--|---|
| Strategic implementation measures | Clarification of the purpose of implementation | yes | yes | Mont & Leire, 2009b; Roberts, 2003; Hardtke & Kleinfeld, 2010; Mirvis & Googins, 2006 |
| | As-is analysis | yes | yes | Zadek, 2004; Mirvis & Googins, 2006; Kummer, 2009; Lindgreen et al., 2011; Cramer et al., 2004; Maignan et al., 2005; Maon et al., 2009; Hardtke & Kleinfeld, 2010 |
| | Benchmarking | yes | yes | Björklund, 2010; Hoejmosse & Adrien-Kirby, 2012; Mirvis & Googins, 2006; Maon et al., 2009; Graafland et al., 2004; Kummer, 2009 |
| | Clarification of ethical basis | yes | yes | Hoejmosse & Adrien-Kirby, 2012; Winstanley et al., 2002; Vassallo et al., 2008 |
| | Integration of the concept's strategy into the next greater concept and the overall business strategy | yes | yes | Hayes & Wheelwright, 1984; Lau, 2011; Mirvis & Googins, 2006; Doppelt 2003; Lyon, 2004; Werre, 2003; Lindgreen et al., 2011; Curbach, 2009; Sangle, 2009; Maon et al., 2009; Maignan et al., 2005; Smith, 2003; Kaptein, 2004; Paine, 1994; Valentine & Fleischman, 2008; Seuring & Müller, 2008 Walker & Jones, 2012; Beske & Seuring, 2014; Morali & Searcy, 2013; Carter & Liane Easton, 2011; Carter & Rogers, 2008; Hoejmosse et al., 2013 |
| | Formulation of a PSR strategy | no | yes | n/a |
| | Integration of stakeholders | yes | yes | Wolf, 2011; Clarkson, 1995; Maignan et al., 2002; McWilliams & Siegel, 2001; Stentoft Arlbjörn et al., 2010; Valmohammadi, 2011; Duarte & Rahman, 2010; Maon et al., 2009; Kummer, 2009; Schmitt, 2005; Hardtke & Kleinfeld, 2010; Mitchell et al., 1997; O'Brien et al., 2018; Welford & Frost, 2006 |
| | Clarification of the optimal set and scope of initiatives and translation of the concept's goals into clear objectives | yes | yes | Lau, 2011; Zadek, 2004; McWilliams & Siegel, 2001; Lunheim, 2003; Porter & Kramer 2006; Baumann-Pauly et al., 2013; Van Marrewijk & Werre, 2003; Mirvis & Googins, 2006; Lindgreen et al., 2011; Hardtke & Kleinfeld, 2010; Panapaanan et al., 2003; Cramer, 2005; Schmitt, 2005; Maon et al., 2009; Cramer et al., 2004; Pagell & Wu, 2009; Beske & Seuring, 2014 |
| | Decision upon the degree of responsibility | yes | yes | Lambert, 2008; Wolf, 2011 |
| | Understanding of own buying power | yes | yes | Hoejmosse & Adrien-Kirby, 2012; Pedersen & Andersen, 2006; Chae & Heidhues, 2004 |
| | Preparation of a business case | yes | yes | Leire & Mont, 2009; Zadek, 2004; Carroll & Shabana, 2010; Kurucz et al., 2008; Heslin & Ochoa, 2008; Castka et al., 2004; Newell, 2005; Doane, 2005; Schaltegger & Burritt, 2018 |
| | Alignment of the concept's strategy with existing business initiatives and structures | no | yes | Mirvis & Googins, 2006; Schmitt, 2005; Kummer, 2009; Longoni et al., 2014 |
| | Integration of the concept's goals into employee performance measures | yes | yes | Carter et al., 1998; Merriman et al., 2016; Hardtke & Kleinfeld, 2010; Maon et al., 2008; Sachs & Ruhli, 2005 |
| | Adaption of the organizational structure / setup of an implementation project team | no | yes | Kummer, 2009; Schmitt, 2005; Hardtke & Kleinfeld, 2010; Harms et al., 2013; Walker et al., 2008 |
| | Communication of measures | yes | yes | Björklund, 2010; Elg & Hultman, 2011; Curbach, 2009; Kummer, 2009; Maon et al., 2008; Hardtke & Kleinfeld, 2010; Lee et al., 2009; Seuring & Müller, 2008; Wittstruck & Teuteberg, 2011; Essig & Arnold, 2001; Morali & Searcy, 2013; Perry & Towers, 2012; Sarkis et al., 2011; Jurietti et al., 2017; Lim & Greenwood, 2017; Kollat & Farache, 2017; Lindgreen et al., 2011; Baumann-Pauly et al., 2013 |
| | Development of performance indicators for monitoring supply chain partners / supplier selection and monitoring | yes | yes | Blowfield, 2000; Wong et al., 2012; Lau, 2011; Goebel et al., 2012; Morali & Searcy, 2013 |
| not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | |

Figure 85: Overview of contribution: implementation measures (1)

| | | confirmed in PSR literature | suggested to be valid by the qualitative study | Sources |
|--|--|-----------------------------------|--|--|
| Strategic implementation measures | Encouragement of the application of standards in the (upstream) supply chain | no | no | Vachon & Klassen, 2008; Morali & Searcy, 2013 |
| | Development of a common infrastructure and understanding | no | no | Fynes et al., 2011; Mentzer et al., 2002; Gold et al., 2010; Wittstruck & Teuteberg, 2011 |
| | Decision upon the right approach to roll out the implementation of the concept | yes | yes | Leire & Mont, 2009; Cramer, 2008 |
| | Decision upon the right approach to information provision for existing and potential suppliers | yes | yes | Lau, 2011; Ciliberti et al., 2008; Jamison & Murdoch, 2004; Leire & Mont, 2009b; Hoejmose & Adrien-Kirby, 2012; Roberts, 2003; Welford & Frost, 2006; Kolk & Van Tulder, 2002; Björklund, 2010; Harms et al., 2013 |
| | Decision upon the right approach to select suppliers | yes | yes | Lau, 2011; Ciliberti et al., 2008; Björklund, 2010; Lippman, 1999; Handfield et al., 2002; Müller et al., 2009; Srivastava, 2007; Harms et al., 2013; Seuring & Müller, 2008 |
| | Decision upon the right approach to monitor supplier performance | yes | yes | Boyd et al., 2007; Björklund, 2010; Beske et al., 2008; Yawar & Seuring, 2015; Andersen & Skjoett-Larsen, 2009; Ciliberti et al., 2009; Amaeshi et al., 2008; Hoejmose & Adrien-Kirby, 2012; Mamic, 2005; Murry & Heide, 1998; Baden et al., 2009; Smith, 2003; Beske & Seuring, 2014; Morali & Searcy, 2013; Seuring & Müller, 2008 |
| | Decision upon the right approach to handle supplier non-compliance | yes | yes | Björklund, 2010; Graafland et al., 2003; Welford & Frost, 2006; Leire & Mont, 2009b; Maignan et al., 2002; Ciliberti et al., 2008; Graafland, 2002; Amaeshi et al., 2008; Pedersen & Andersen, 2006; Lau, 2011; Björklund, 2010; Mamic, 2005; Andersen & Skjoett-Larsen, 2009; Seuring and Müller, 2008 |
| | Decision upon further buyer-supplier activities | yes | yes | Björklund, 2010; Ciliberti et al., 2008; Mamic, 2005; Lau, 2011; Hoejmose & Adrien-Kirby, 2012; Lippman, 1999; Pedersen & Andersen, 2006; Amaeshi et al., 2008 |
| | Determination of how to measure own progress and performance | yes | yes | Björklund, 2010 |
| not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | |

Figure 86: Overview of contribution: implementation measures (2)

Next to the key strategic PSR implementation measures, the next paragraphs focus on the identified continuous improvement activities. Overall, while continuous improvement activities were only discussed in CSR literature, in the qualitative study it was emphasized that PSR is not static and as such continuous improvement measures are crucial. Furthermore, those companies that are perceived as leading in PSR confirmed to have such a process in place.

Looking at Figure 87 the two identified continuous improvement activities in CSR literature, namely the (ongoing) stakeholder dialogue and regular external audits were both confirmed by the qualitative study. In addition to that, three other activities were suggested to be part of the continuous improvement

activities for PSR. They comprise the continuous exchange on PSR with competitors, continuous extension of PSR KPIs per product, as well as the continuous review and extension of PSR objectives.

| | | CSR | SSCM | PSR | Qualitative study |
|--|---|-----|------|-----|-------------------|
| Continuous improvement activities | (Ongoing) stakeholder dialog | x | - | - | y |
| | Regular external audits | x | - | - | y |
| | Continuous exchange on PSR with competitors | - | - | - | y |
| | Continuous extension of PSR KPIs per product | - | - | - | y |
| | Continuous review and extension of PSR objectives | - | - | - | y |
| "xx" = extensive research; "x" = little research; "-" = no research | | | | | |
| "y" = confirmed by the qualitative study; "n" = not confirmed / not mentioned in the qualitative study | | | | | |

Figure 87: Overview of results: continuous improvement activities

- **(Ongoing) stakeholder dialogue:**

The qualitative study confirms previous CSR research and transfers this knowledge to PSR, emphasizing that leading PSR organizations engage in a regular stakeholder dialogue to review and understand changing stakeholder demands and new developments in order to apply these to their PSR activities. The aim is to remain as one of the forerunners in the area of PSR (Maon et al., 2008; Hardtke & Kleinfeld, 2010).

- **Regular external audits:**

Also in this case, the qualitative study confirms previous CSR research and transfers this knowledge to PSR, outlining that external auditors should not only be hired to review suppliers but to also regularly review the focal company on their PSR achievements, to enable focal firms to identify areas of improvement and implement adjustments (Maon et al., 2008).

- **Continuous exchange on PSR with competitors:**

In line with the ongoing stakeholder dialogue, the respondents of the qualitative study emphasized that a continuous exchange on PSR with competitors is crucial for focal firms to remain leaders in PSR, as through

this they may find mutual solutions for common PSR problems and together further develop the future direction of PSR.

- **Continuous extension of PSR KPIs per product:**

The respondents of the qualitative study suggest that a key continuous improvement measure is the extension of PSR KPIs per product, assuming that PSR measures have room for improvement per product. Here, the organization evaluates each product on its PSR background and regularly sets the bar higher.

- **Continuous review and extension of PSR objectives:**

The last measure suggested by the qualitative study to be part of PSR's continuous improvement activities outlines that leaders in PSR regularly formulate PSR goals to be reached in a specific time frame and review the goal achievement on a regular basis. Furthermore, one interviewee pointed out that once a target is reached they start scouting for a higher one.

To sum up, Figure 88 depicts five identified continuous PSR improvement activities, which were all confirmed to be valid by the qualitative study. While none of these measures were reflected in PSR research, two activities were also discussed in CSR literature.

| | | <i>confirmed in PSR literature</i> | <i>confirmed by the qualitative study</i> | <i>Sources</i> |
|--|---|--|---|--|
| <i>Continuous improvement activities</i> | (Ongoing) stakeholder dialog | no | yes | Maon et al., 2008; Hardtke & Kleinfeld, 2010 |
| | Regular external audits | no | yes | Maon et al., 2008 |
| | Continuous exchange on PSR with competitors | no | yes | n/a |
| | Continuous extension of PSR KPIs per product | no | yes | n/a |
| | Continuous review and extension of PSR objectives | no | yes | n/a |
| not confirmed; confirmed; PSR sources; CSR / SSCM sources; n/a = not available | | | | |

Figure 88: Overview of contribution: continuous improvement activities

7.4 Final Strategic PSR Implementation Framework

Looking at academic literature on PSR implementation one will find only scarce and fragmented knowledge rather than one exhaustive strategic implementation guide, despite the strong call for action to close this research gap. This may be due to the fact that the topic of PSR is a rather new one to both research and practice and does not often occur in academic literature. As such, the strategic framework for PSR implementation was first shaped by the limited academic knowledge on PSR implementation, enhanced by CSR and SSCM insights due to the interrelation of the three concepts and supplemented by knowledge gained from practice, resulting in a complete model. More precisely, while a first idea of the drivers, barriers, key strategic implementation measures and continuous improvement activities has been identified in academic literature, the qualitative study aimed to confirm, verify and adjust literature findings as well as add further elements that have not been encountered during the analysis of literature. Furthermore, this study aimed to verify whether and which elements from the research fields of CSR and SSCM may be transferred to the case of PSR implementation.

Overall, these aims were bundled and the research question and its subquestions were formulated. While the subquestions and the results on the drivers, barriers, key strategic implementation measures, as well as continuous improvement activities of PSR were already discussed in detail in the previous chapters, this chapter focuses on the holistic picture and the research question **“How have German multinational corporations within the consumer goods industry that are recognized as leading in sustainability, strategically implemented Purchasing Social Responsibility?”**, as well as the finalization of the Strategic PSR Implementation Framework.

In essence, based on several examples from practice, this study shows that despite scarce research on PSR implementation and the fact that the majority of firms do not know how to implement PSR, those German multinational corporations within the consumer goods industry that are recognized as leading in sustainability have indeed a rather clear idea of how to strategically implement PSR, namely through the implementation of the following key strategic measures, which were thoroughly discussed in the previous chapter:

- Clarification of the purpose of implementation
- As-is analysis
- Benchmarking
- Clarification of ethical basis
- Integration of the concept's strategy into the next greater concept and the overall business strategy
- Formulation of a PSR strategy
- Integration of stakeholders
- Clarification of the optimal set and scope of initiatives and translation of the concept's goals into clear objectives
- Decision upon the degree of responsibility
- Understanding of own buying power
- Preparation of a business case
- Alignment of the concept's strategy with existing business initiatives and structures
- Integration of the concept's goals into employee performance measures
- Adaption of the organizational structure / setup of an implementation project team
- Communication of measures
- Development of performance indicators for monitoring supply chain partners / supplier selection and monitoring
- Decision upon the right approach to roll out the implementation of the concept
- Decision upon the right approach to information provision for existing and potential suppliers
- Decision upon the right approach to select suppliers
- Decision upon the right approach to monitor supplier performance
- Decision upon the right approach to handle supplier non-compliance
- Decision upon further buyer-supplier activities
- Determination of how to measure own progress and performance

In fact, from all identified implementation measures, only 3 were not previously mentioned in PSR literature, confirming and enhancing the scarce existing research area.

Next to the key strategic implementation measures, these organizations further ensure that their PSR activities will not remain static, but will be continuously improved by engaging in the following continuous improvement activities:

- Ongoing stakeholder dialogue
- Regular external audits
- Continuous exchange on PSR with competitors
- Continuous extension of PSR KPIs per product
- Continuous review and extension of PSR objectives

Also in this case, PSR research was confirmed - namely the two activities of ongoing stakeholder dialogue and regular external audits - and enhanced by the three additional measures.

To sum up, following the discussion in this and the previous chapters, the identified key strategic implementation measures and continuous improvement activities can be translated into the following final Strategic PSR Implementation Framework (Figure 91). Figures 89 and 90 provide a clearer visualization of the model.

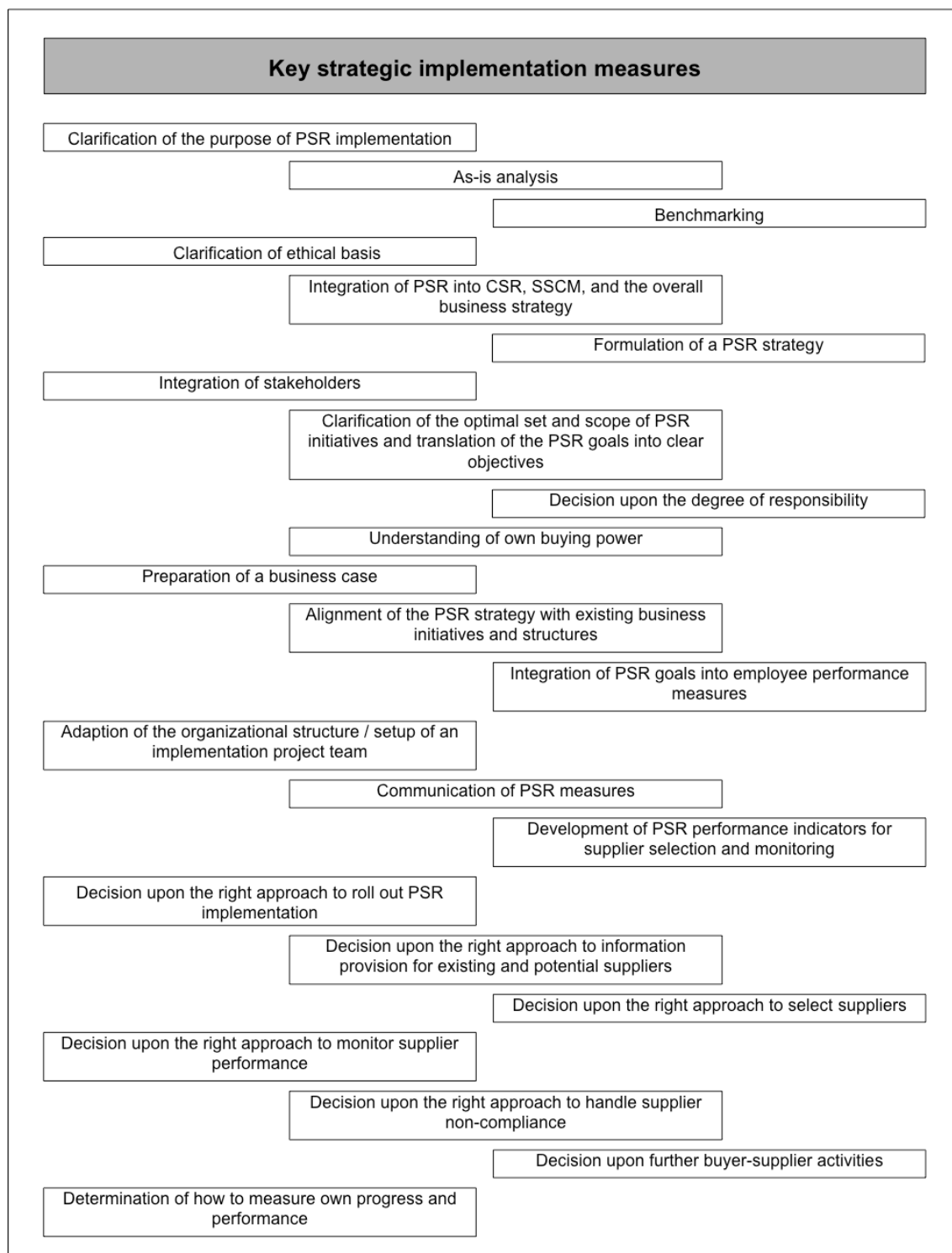


Figure 89: Final Strategic PSR Implementation Framework (part 1)

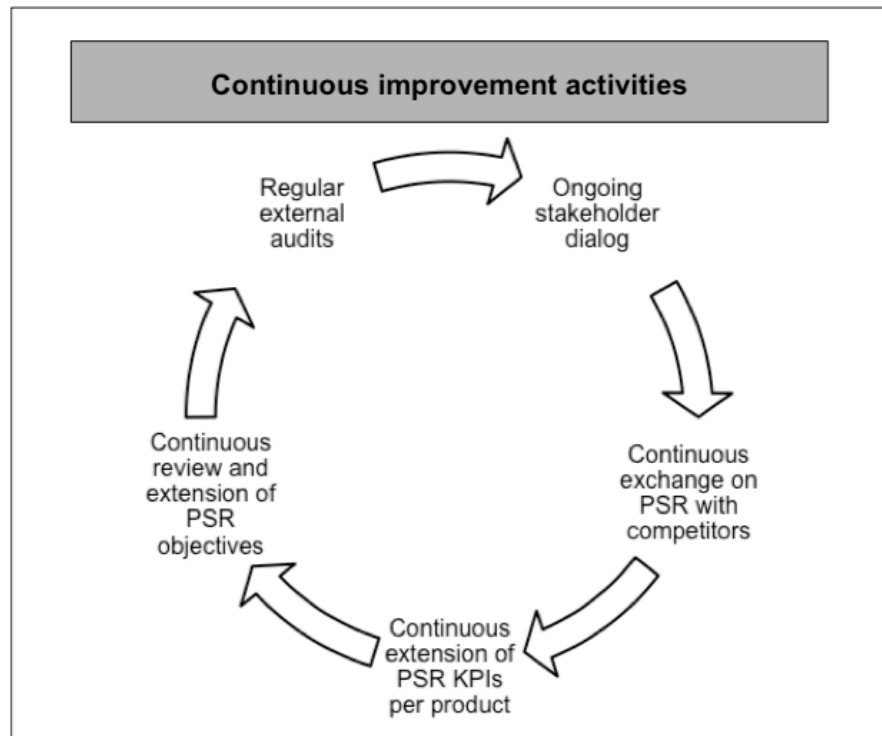


Figure 90: Final Strategic PSR Implementation Framework (part 2)

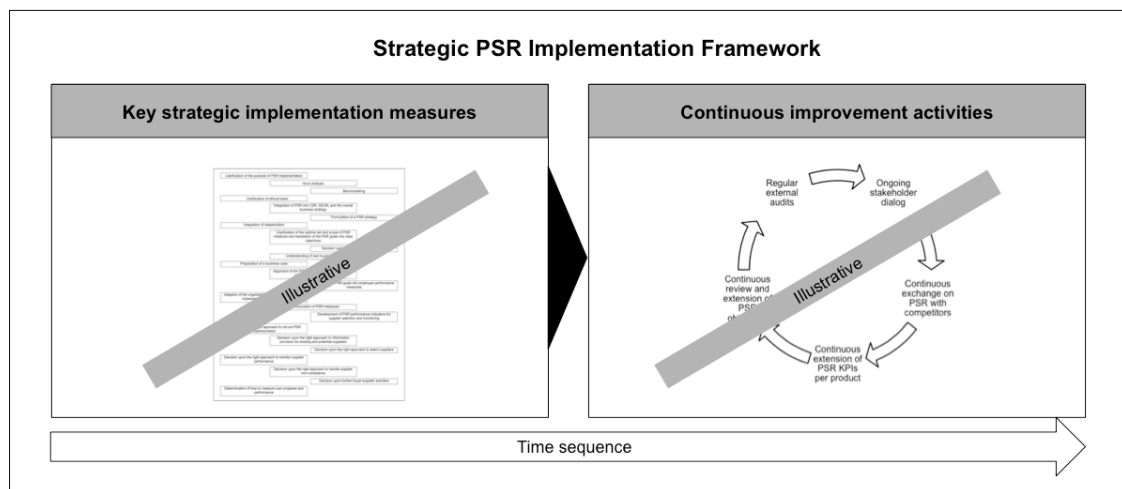


Figure 91: Final Strategic PSR Implementation Framework

8 Conclusion

The aim of this chapter is to conclude this thesis by outlining how the research question and subquestions, as well as research aims and objectives have been addressed within the study. The chapter further presents a summary of the findings, highlighting the contributions to knowledge emerging from this research, before discussing the limitations of this study and providing recommendations for future research.

8.1 Summary of research findings and research question

In essence, looking at the first objective of this study, namely to develop a more thorough understanding of PSR and its context, this study has explained the historical development of the concept, its relation to the next greater concepts Sustainable Supply Chain Management and Corporate Social Responsibility as well as to the concepts of sustainability and triple bottom line. Furthermore, next to the analysis of the research methodology used in PSR research, the different terms related to PSR, as well as key definitions, PSR dimensions and activities were presented. Moreover, this study has discussed the importance of PSR to both organizations and the society, the drawbacks for organizations resulting from PSR as well as, looking at the core of this study, PSR application in practice and more specifically the drivers of PSR implementation, barriers to PSR implementation and measures to overcome several barriers, as well as key strategic implementation measures and continuous improvement activities.

Overall, this study shows that interest in the field of Purchasing Social Responsibility can be traced back as far as the late 1960's, however, in recent years researchers have returned to the concept as a subdivision of both Corporate Social Responsibility and Sustainable Supply Chain Management. This increased interest in PSR is suggested to stem from the changing expectations of the society and their growing awareness of social and environmental issues coupled with the fact that stakeholders nowadays want to understand under which conditions products were produced. At the same time, compared to previous decades, it can be observed that the purchasing function at MNCs is today strategically more important than it ever was due to advancing global competition and globalization possibilities such as outsourcing. In

addition to this, given that companies are increasingly being held responsible for the actions of their suppliers, PSR has emerged as an important factor in safeguarding organizations from being accused of irresponsible behavior. Next to safeguarding organizations, PSR is also suggested to inter alia develop cooperative relationships with suppliers, secure supply sources, and improve the image and reputation of organizations.

Corresponding to the increased interest in PSR, nowadays one can observe a positive development in the direction of a large number of MNCs having implemented social and environmental annual reports, sustainability strategies, and voluntary codes of conduct. Still, a gap between the desired intensity of PSR and the actual level can be observed. Managers often complain about the lack of information how to strategically implement PSR into an organization. Looking at research, multiple scholars agree that due to multiple vague definitions of PSR and a lack of clear implementation guidance, there are still many firms lacking PSR, unwillingly violating it or even putting themselves in situations that might strongly harm their reputation. As such, only a few organizations manage CSR in their purchasing division following a clear strategy and structure. This knowledge gap of how to implement PSR is not only visible in the business world but also in academic literature. Currently, in academic literature there is only scant research on how to strategically implement PSR in an organization, providing rather fragmented information and not one exhaustive strategic implementation guide. At the same time, the call for action to close this research gap and develop a PSR implementation guide is very strong. As multiple scholars outline, such research would not only provide practitioners with guidance on how to implement PSR but also serve as a benchmark to evaluate and compare practices. Furthermore, such research would contribute to and bring forward academic knowledge in this area. The benefits of future research in this direction include providing background information on PSR and how PSR is organized and implemented in various businesses incl. lessons learned and delivering a benchmark for practitioners to evaluate and compare their status quo with firms that progressed further than others.

Thus, the other objective of this dissertation was to respond to this call for action by combining academic knowledge on PSR implementation with on the

one hand the corresponding research in the Sustainable Supply Chain Management and Corporate Social Responsibility area - as PSR issues arise from the concepts of CSR and SSCM - and on the other hand with insights from practitioner interviews with subject matter experts to answer how German multinational corporations within the consumer goods industry that are recognized as leading in sustainability have strategically implemented Purchasing Social Responsibility. In other words, as PSR research on this matter is rather scarce, this study supplemented existing knowledge with elements from the research fields of CSR and SSCM and verified through the qualitative study whether and which elements can be transferred to the case of PSR implementation along with discussing previous findings from PSR literature and identifying additional elements. Next to the key strategic PSR implementation measures, which also comprise continuous improvement activities, this study also aimed to identify, discuss, and enhance existing literature on the surrounding factors of PSR implementation, namely the drivers of PSR implementation and the barriers to this undertaking. The ultimate objective was to build a Strategic PSR Implementation Framework based on findings from academic literature and the qualitative study.

To sum up, all of the objectives mentioned above were met and the corresponding research question and subquestions were answered. While the answers to the research subquestions may be found in the subsequent chapters, the Strategic PSR Implementation Framework is presented in chapter 7.4. Looking at the research question *“How have German multinational corporations within the consumer goods industry that are recognized as leading in sustainability, strategically implemented Purchasing Social Responsibility?”*, this study shows that while there are both drivers to PSR implementation (chapter 8.2), as well as several obstacles organizations face when implementing PSR (chapter 8.3), there is indeed a path that companies leading in PSR have followed when implementing this concept (chapter 8.3). Moreover, in order to remain leaders in this area, these organizations continuously enhance their PSR efforts through a great array of continuous improvement measures (chapter 8.4).

8.2 Research subquestion 1

Looking at the results and contribution of this study regarding research subquestion 1 *“What are the drivers of PSR implementation?”*, this study suggests that the following drivers of implementation (confirmed by both PSR research and the qualitative study) ultimately apply to the case of PSR: drivers of

PSR based on the motivation to ensure long-term business survival and improvement of financial performance, namely through risk minimization (minimization of reputational damage to avoid loss of market share), drivers based on altruistic reasons, namely demand and commitment of top management / personal morality of top management, as well as external pressures from a variety of stakeholders, comprising governments - current and anticipated laws and regulations -, NGOs, suppliers, and consumers. As these drivers were confirmed by both PSR research and the qualitative study, the contribution to research in this case is based on the confirmation of existing but scarce PSR research.

The other group of drivers comprise those that were confirmed by PSR research but not by the qualitative study. Here, the contribution to research is merely an aggregation of existing PSR literature. In this case, the drivers of PSR based on the motivation to ensure long-term business survival and improvement of financial performance comprise the aim to gain or increase the competitive edge / market differentiation, enhance the overall economic standing, increase the overall reputation and image, save costs, as well as increase organizational learning. The drivers of PSR based on altruistic reasons comprise the desire to lead best practice and the demand and commitment of middle management / personal morality of middle management. Other drivers focusing on specific pre-conditions and skills include a strong leadership to successfully implement the concept, knowledge development and knowledge distribution through established coordination mechanisms, training on the concept, established organizational values, as well as an established people-oriented organizational culture. External pressures from stakeholders involve the community as well as shareholders and investors.

The third group of drivers of PSR implementation comprises those aspects that were derived from the results of the qualitative study. Here, the contribution to research is the extension of existing PSR research either as a result of the transfer of knowledge from CSR and SSCM literature or as a result of additions to research from the qualitative study. Among the drivers regarding the motivation to ensure long-term business survival and improvement of financial performance two were identified, namely the aim to secure a continuous availability of products and raw materials and the aim to enhance the relationship with shareholders and attract future investors / or gain a better access to capital and investors. Looking at those drivers that reflect altruistic reasons the following were identified: companies' sense of responsibility and dedication to philanthropy, willingness to invest in PSR, as well as founding purpose and time. Looking at the drivers of PSR based on certain pre-conditions and skills the following were confirmed: technical capabilities, sufficient financial, human, and technical resources, support of purchasing department, response to CSR department request, transparency of upstream supply chain conditions, response to employee request and cooperation with other stakeholders.

8.3 Research subquestion 2

Turning to the results and contribution of this study regarding research subquestion 2 *“What are the barriers to PSR implementation and how may companies overcome them?”*, this study suggests that the following barriers to implementation (confirmed by both PSR research and the qualitative study) ultimately apply to the case of PSR: barriers to PSR implementation based on a lack of motivation, namely lack of top and middle management motivation to implement this concept, management's insufficient understanding of the importance and benefits / strategic relevance of this concept, and a general resistance to change the existing company culture / current mode of operation and adapt this concept, as well as barriers to PSR implementation based on financial considerations, namely the lack of financial resources / necessary funds to implement and to maintain operations and a lack of financial support by top management / missing willingness to invest in the concept. Other barriers refer to non-financial considerations and include a lack of required non-financial

resources (e.g. human resources) to implement and operate this concept as well as uncertainty about organizational (IT / technological) capabilities. Other identified barriers refer to external requirements, namely missing (industry) regulations and laws on this concept as well as a lack of external pressures from consumers / customers (e.g. consumer insensitivity towards sustainability issues und primary desire for low prices). As all of these barriers presented above were confirmed by both PSR research and the qualitative study, the contribution to research in this case is based on the confirmation of existing PSR research.

The other group of barriers comprise those that were confirmed by PSR research but not by the qualitative study. Here, the contribution to research is merely an aggregation of existing PSR literature. In this case, the barriers comprise a general lack of commitment to engage in the concept's activities (based on a lack of motivation to implement PSR), as well as several aspects referring to financial considerations, namely fearing that this concept will not deliver any financial benefits despite its presumed high costs, lack of knowledge on the financial effect of this concept's implementation / difficulties to build a business case due to intangible measurement, as well as resistance to implement this concept due to assumed trade-offs between implementation benefits and operational costs and profits. Other barriers referring to non-financial considerations comprise the misalignment of short-term and long-term strategic business goals, a local culture with lower ethical expectations, lack of performance measurement for the concept, lack of strong leadership to successfully implement this concept, difficulties in acquiring relevant specific knowledge on implementation and operation of this concept / lack of required knowledge, difficulties in determining the appropriate concept strategy, lack of training (for new mind-sets and skills) and information sharing on this concept, as well as from the supply chain perspective a low bargaining power over key suppliers and a general lack of trust among supply chain parties / assumption that suppliers will not collaborate. The last two barriers in this group refer to the lack of pressures from NGOs as well as a lack of support from this stakeholder group.

The third group of barriers to PSR implementation comprises those aspects that were derived from the results of the qualitative study. Here, the contribution to research is the extension of existing PSR research either as a result of the transfer of knowledge from CSR and SSCM literature or as a result of additions to research from the qualitative study. This group includes two barriers referring to non-financial considerations, namely the lack of support from purchasing department and the complexity of implementation. The last barrier comprises a lack of pressures from suppliers to implement PSR.

Corresponding to the second part of subquestion 2, namely how companies may overcome specific barriers to PSR implementation, the following mitigating measures were identified: overcoming cultural differences when implementing PSR through the adaption of ethical standards according to local conditions (as identified in PSR research, however not confirmed by the qualitative study; here, the contribution to research is a summary of existing literature), communication and persuasion as well as compromises to convince employees to foster PSR implementation, as well as a lot of information provision and training of procurement staff to take ownership and responsibility for PSR in order to overcome the general resistance to change the existing company culture / current mode of operation, top management's initiative to achieve visibility and demonstrate support to pursue this topic in order to tackle management's insufficient understanding of the importance and benefits / strategic relevance of this concept, as well as engagement in multi-stakeholder-initiatives to gain respective knowledge and advice on PSR implementation in order to reduce the complexity of PSR implementation (all three measures were not confirmed in PSR research, but identified by the qualitative study; here, the contribution to research is the extension of existing PSR research as a result of new knowledge gained).

8.4 Research subquestion 3

Looking at the results and contribution of the centerpiece of this study, subquestion 3 *“What are the key strategic implementation measures?”*, the following key strategic PSR implementation measures were identified by both PSR research and the qualitative study: clarification of the purpose of

implementation, as-is analysis, benchmarking, clarification of ethical basis, integration of the concept's strategy into the next greater concept and the overall business strategy, integration of stakeholders, clarification of the optimal set and scope of initiatives and translation of the concept's goals into clear objectives, decision upon the degree of responsibility, understanding of own buying power, preparation of a business case, integration of the concept's goals into employee performance measures, communication of measures, development of performance indicators for monitoring supply chain partners / supplier selection and monitoring, decision upon the right approach to roll out the implementation of the concept, decision upon the right approach to information provision for existing and potential suppliers, decision upon the right approach to select suppliers, decision upon the right approach to monitor supplier performance, decision upon the right approach to handle supplier non-compliance, decision upon further buyer-supplier activities, as well as determination of how to measure own progress and performance. Here, the contribution to research is based on the confirmation of existing but limited PSR research. In addition to the measures outlined above, additional key strategic PSR implementation measures were derived from the results of the qualitative study. Here, the contribution to research is the extension of existing PSR research. These measures comprise the formulation of a PSR strategy, alignment of the concept's strategy with existing business initiatives and structures, as well as adaption of the organizational structure / setup of an implementation project team.

8.5 Research subquestion 4

Turning to research subquestion 4 "*How do [these] organizations maintain their leading position in PSR?*", this study suggests that PSR is not static and as such continuous improvement measures are crucial for organizations and in fact also implemented by those organizations that are leading in PSR. Here the contribution to knowledge is based on two examples that were discussed in CSR literature and confirmed by the qualitative study to apply to PSR, namely the (ongoing) stakeholder dialogue and regular external audits. Furthermore, the qualitative study enhanced existing academic PSR literature based on additions to research from the qualitative study, confirming three other

continuous improvement activities: the continuous exchange on PSR with competitors, continuous extension of PSR KPIs per product, as well as the continuous review and extension of PSR objectives.

8.6 Limitations of the overall study

While this dissertation resulted in relevant and new findings, it should be seen as a door opener to the research field of PSR implementation, especially as there are several limitations of the study that need to be mentioned.

The first and most obvious limitation of this study is that in focus of this dissertation are German focal MNCs from the consumer goods industry. While usually in qualitative studies specific target organizations, industries, and regions need to be considered to delimitate the scope, what one needs to bear in mind is that the results might have looked differently when analyzing a different scenario. For example, taken the same industry and region, but SMEs instead of MNCs, their individual challenges and measures to PSR implementation may differ from those of multinational corporations to a large extent.

The second limitation refers to the interviewees used in the qualitative study. Even though several triangulation methods were applied and a quite large group of subject matter experts and organizations participated in this study to maximize the generalizability of findings, also in this case the answers might have been slightly different when using other participants.

Even though not as strong as the first two, the third limitation refers to the fact that the target MNCs used in this study were selected according to their leading positions in sustainability as suggested by multiple ranking agencies, indices and awards on this matter. While this seemed to be a very pragmatic way of identifying leaders in PSR, as mentioned earlier in this study, the sources used may have certain flaws including a *“lack of standardization, lack of credibility of information, bias, tradeoffs, lack of transparency, and lack of independence”* (Windolph, 2011, p. 61). As such, even if unlikely, it needs to be acknowledged that due to this criticism eventually some of the selected MNCs in this study may not be true leaders in PSR implementation. However, to decrease the

likelihood of having firms in the sample that do not meet the desired status, only those MNCs were included that were acknowledged as leading in PSR/CSR/sustainability by at least 2 of the presented sources. Furthermore, going by the content, depth, breadth, clarity and uniformity of answers of all participants, the scenario of having firms in this study's sample that are not leading in PSR is quite unlikely.

The fourth limitation refers to the identified barriers to PSR implementation. Due to the fact that the majority of participants in this study were employed by companies leading in sustainability that have dealt with PSR for several years now, the participants in this study might have not personally evidenced particular barriers to PSR implementation. For example, they might have joined the companies at a later point in time. This stands in contrast to e.g. PSR drivers that are rather common knowledge as well as implementation measures that are usually rather easy to retrace as their effects and processes are usually still adhered to today. Another limitation is the rather high rank of the participants, meaning that they might not have experienced particular difficulties when implementing PSR in comparison to e.g. employees in the purchasing department.

The last limitation refers to the interview approach and methodology used, namely semi-structured interviews paired with the use of Grounded Theory. While it is suggested that semi-structured interviews allow for gathering large amounts of information in a collaboration between the interviewer and interviewee while ensuring that both parties follow a basic structure while working towards a common set of objectives, in the Grounded Theory it is expected that the researcher conducts the interviews disregarding previous knowledge, waiting for knowledge to emerge purely from the interviews and the data. As such, even though the interviewer often had the desire to ask the interviewees for specific aspects, scenarios or situations, and present examples derived from academic literature, she had to refrain from it and follow the natural flow of the conversation. For example, it is suggested that a few drivers of PSR implementation were not explicitly mentioned as drivers, even though it is assumed that they are indeed valid as they were touched upon at a later stage during the interview. Here, eventually surveys or structured interviews may have disclosed these barriers and their backgrounds.

To sum up, transferring the results to other industries and companies should be done with mild caution.

8.7 Recommendations for future research

PSR has emerged as an important practice and research area in the last decade and according to both research and practice it will remain one of the top themes in the future requiring steady attention by research. As such, while this study provided first results and shed light on the drivers, barriers, and key strategic implementation measures the PSR implementation involves, future complementing studies are recommended to verify the results and enhance knowledge on this matter.

Furthermore, as this study was focused solely on MNCs, future studies could investigate e.g. PSR implementation of SMEs following the voice of the qualitative study suggesting that PSR implementation will become a necessity for all organizations disregarding their size. Also, the focus could be shifted to e.g. suppliers to better understand their motives, approach, challenges and best practices regarding PSR implementation. Future studies could also investigate and compare the results of this study with the PSR progress of firms within other industries or regions than the German consumer goods industry, as well as from the methodological perspective, use a different approach to close methodological gaps of PSR literature. The next paragraphs outline further key recommendations for future research.

Looking at the identified drivers of PSR implementation, it is recommended for future research to assess from which type of drivers - internal or external drivers - firms experience more pressure to implement PSR, as no consensus was found on which type of drivers are predominant in implementing PSR. Furthermore, those drivers of PSR implementation that were only confirmed by PSR research and not by the qualitative study, could be further investigated e.g. in form of structured interviews or surveys to ultimately confirm whether they are perceived as valid by practice or not. The same applies to the case of a few implementation barriers, which were not confirmed by the qualitative study. Here, it is also suggested to disclose the identified barriers and their

backgrounds to the interviewees to further test the opinions of practice and enhance existing research. As a next step, it is suggested for future research to focus on the solutions to overcome barriers to PSR implementation by building on the results of this study.

Turning to the identified key strategic PSR implementation measures, future research could focus on the question '*what is perceived as a satisfactory PSR implementation?*' and build upon the suggestions provided in this study. Other recommendations for key areas of future research comprise the cost issue of PSR implementation and operation as well as the preparation of the resulting PSR business case. Here, future research could try to assess whether despite short- and long-term costs, PSR may indeed lead to cost reductions in the long run, as well as next to the cost-side, identify how to best calculate the benefits of PSR to develop suggestions for how to prepare a PSR business case.

Furthermore, it is suggested to assess whether the CSR approach to stakeholder identification and the stakeholder dialogue process presented in this study may apply to the case of PSR. Other key recommendations comprise the analysis of the superior methods to reaching supplier PSR compliance and hereby especially the effectivity of monitoring supplier PSR performance in line with the reported aim of multiple interviewees to change the current mode of operation towards less control and more collaboration with suppliers to ultimately empower them to implement and continuously expand PSR activities by themselves.

To sum up, this study humbly attempts to inspire scholars to further investigate PSR implementation and challenge as well as enhance the results of this study.

Appendices

Appendice A - Literature analysis

| | 1=yes | Used terms: related (sub-)topics, concepts & keywords | | | | | |
|-----|---|---|------------------------|--|------------------|---|--------------------------|
| | | Sustainable Sourcing | Sustainable Purchasing | Purchasing Social Responsibility [PSR] | Green Purchasing | Purchasing and Supply Management Sustainability | Environmental Purchasing |
| Nr. | Source information | | | | | | |
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| | 1=yes | Used terms: related (sub-)topics, concepts & keywords | | | | | |
|-----|---|---|-----------------------------------|---------------------------|-------------------------------|----------------------------------|---------------------------------------|
| | | Socially and Environmentally Responsible Procurement | Socially Responsible Buying [SRB] | Social Responsible Buying | Socially Responsible Sourcing | Socially Responsible Procurement | Socially Responsible Purchasing [SRP] |
| Nr. | Source information | | | | | | |
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| | 1=yes | Used terms: related (sub-)topics, concepts & keywords | | | |
|-----|---|---|-------------------------|------------------|--------------------|
| | | Social Responsible Purchasing | Sustainable Procurement | Ethical Sourcing | Ethical Purchasing |
| Nr. | Source information | | | | |
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| | 1=yes | Qualitative research: data collection methodology | | | | | |
|-----|---|--|------------|--------------|-------------|--------------------------------|-------|
| | | Qualitative research | Interviews | Focus groups | Observation | Document / conceptual analysis | Other |
| Nr. | Source information | | | | | | |
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| | 1=yes | Approach to qualitative research | | | |
|-----|---|----------------------------------|------------|-----------------|-------|
| | | Qualitative research | Case study | Grounded Theory | Other |
| Nr. | Source information | | | | |
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|------------|---|------------------------------|---|---------|-------|----------------------|
| | 1=yes | | Quantitative research: data collection methodology | | | |
| | | Quantitative research | Analysis of data from information systems | Surveys | Other | Mixed Methods |
| Nr. | Source information | | | | | |
| 1 | Adam, A., & Rachman-Moore, D. (2004). The Methods Used to Implement an Ethical Code of Conduct and Employee Attitudes. <i>Journal of Business Ethics</i> , 54, 225-244. | | | | | |
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Appendice B - Interview guidelines

Pre-study: Translation from German to English

Please note:

“You”, “your firm”, “your organization”, “your company” refer to the employer of the participant.

In case the interview participant was employed by a consultancy firm the questions were slightly rephrased and referred to the experience the consultant gained based on his / her work with clients on PSR issues.

1. When did your firm implement PSR?
2. How does your firm define PSR?
 - a. According to your organization, what dimensions does PSR contain?
 - b. How did your firm decide upon a specific scope? What tools did it use to determine it?
3. Did your firm put a specific emphasis on a particular PSR scope / dimensions?
 - a. If yes, why and which dimensions do you prioritize?
 - b. If not, why not?
4. What was the motivation / were the drivers and the objective to implement PSR?
5. Does your organization have a PSR strategy in place? If yes, how does it look like? Who and how did your organization define it? What approach did it follow?
 - a. What did your firm base your PSR strategy on?
 - b. Did your firm embed the PSR strategy into a greater strategy?
6. What were the main implementation steps in your organization's PSR implementation? What did your firm start with and what did it end with?
 - a. Did your firm base these steps on a specific implementation guide or how did your firm define these steps?
 - b. What did these steps include?
7. Who was responsible for PSR implementation and who is responsible for PSR now? Were these persons informed / prepared for the

implementation?

8. Where did your firm's PSR knowledge come from?
9. Did your firm adapt anything within the organization to implement or maintain PSR? If yes, what did it adapt and why?
10. What is your organization's approach to select suppliers? Why did your firm choose this approach?
11. Does your organization monitor supplier PSR compliance? If not, how does it ensure supplier compliance? What is your organization's approach to monitoring suppliers? How did your organization decide upon the right approach to monitoring supplier performance?
 - a. How does each monitoring activity look like?
 - b. According to which criteria / grounds are suppliers evaluated?
12. Does your firm have an approach to handling supplier non-compliance?
 - a. If yes, how does it look like and how did your organization decide upon the right approach to handling supplier non-compliance? Is this applicable to all suppliers?
 - b. If not, why not and what does your firm do instead? Is this applicable to all suppliers?
13. Does your firm have any further buyer-supplier activities in place? What are these? How did your organization decide upon further buyer-supplier activities?
14. How far does your firm's PSR strategy go? Which / how many suppliers does it include?
 - a. Does your firm have categories of suppliers that you treat differently?
15. How did your firm's PSR rollout look like for existing and new suppliers? Did your firm follow a specific rollout strategy?
 - a. Were suppliers informed / prepared about the upcoming PSR requirements? If yes, how?
 - b. Was the rollout conducted simultaneously for all suppliers?
16. What is your firm's PSR approach in regards to a low bargaining power over specific suppliers?
17. Does your firm track its PSR progress? If yes, how? If not, why not?
18. Does your organization communicate PSR progress / activities? If

yes, how, to whom? How often?

19. Does your firm have a continuous improvement process in place? If yes, how does this process look like?
20. What were the requirements for the PSR implementation and how did your organization fulfill them?
21. What were the barriers of PSR implementation and how did your company overcome them?
22. In essence, what would you say is the current PSR status of your organization and where is PSR heading to in the near future at your firm?
23. Do you have a personal vision of the optimal PSR scenario and if so, how does it look like?
24. Please provide feedback on our conversation
 - a. Interview style
 - b. Comprehension
 - c. Logical sequence
25. Is there any other relevant information you would like to share? What further questions would you ask in my position?

Pre-study: Original German questions

Bitte beachten:

“Sie”, “Ihr / e”, “Ihr Unternehmen” beziehen sich auf den Arbeitgeber des Teilnehmers / der Teilnehmerin.

In den Fällen, bei denen der Arbeitgeber eines Interview-Teilnehmers / einer Interview-Teilnehmerin eine Unternehmensberatung war, wurden die Fragen ein wenig angepasst und bezogen sich auf die Erfahrung des Teilnehmers / der Teilnehmerin mit seiner / ihrer Arbeit mit Mandanten an CSR Themen im Einkauf.

1. Wann hat Ihr Unternehmen das Thema CSR im Einkauf implementiert?
2. Wie definiert Ihr Unternehmen CSR im Einkauf?

- a. Welche Elemente beinhaltet die Definition von CSR im Einkauf laut Ihres Unternehmens?
 - b. Wie hat Ihr Unternehmen über den Umfang von CSR im Einkauf entschieden? Welche Instrumente haben Sie benutzt um den Umfang festzulegen?
3. Hat Ihr Unternehmen eventuell einen Schwerpunkt auf einen bestimmten Umfang / auf bestimmte Themen / Elemente von CSR im Einkauf gelegt?
 - a. Wenn ja, warum und welche Elemente oder Themen priorisiert Ihr Unternehmen?
 - b. Wenn nicht, wieso nicht?
4. Was war die allgemeine Motivation bzw. was waren die Treiber und Ziele um CSR im Einkauf zu implementieren?
5. Hat Ihr Unternehmen eine CSR Einkaufsstrategie definiert? Wenn ja, wie sieht die Strategie aus? Wer war involviert um die Strategie zu definieren? Wie ist Ihr Unternehmen vorgegangen um diese Strategie zu definieren?
 - a. Auf was basiert die Strategie von CSR im Einkauf?
 - b. Wurde die CSR Einkaufsstrategie auf einer anderen Strategie aufgebaut?
6. Was waren die wesentlichen Implementierungsschritte von CSR im Einkauf? Mit was hat Ihr Unternehmen begonnen und mit was hat es aufgehört im Rahmen der Umsetzung?
 - a. Basieren diese Schritte auf irgendeinem Umsetzungs-Leitfaden bzw. wie wurden diese Schritte definiert?
 - b. Was beinhalteten die einzelnen Umsetzungsschritte?
7. Wer war verantwortlich für die Umsetzung von CSR im Einkauf und wer ist heutzutage für das Thema verantwortlich? Wurden diese Personen informiert / vorbereitet auf die Umsetzung?
8. Woher kam das notwendige Wissen zum Thema CSR im Einkauf in Ihrem Unternehmen?
9. Wurde in Ihrem Unternehmen etwas angepasst um das Thema CSR im Einkauf zu implementieren und heutzutage aufrecht zu halten? Wenn ja, was wurde angepasst? Warum?
10. Was ist, seit der Einführung von CSR im Einkauf Ihr Ansatz um

Lieferanten auszuwählen? Warum hat sich Ihr Unternehmen für diesen Ansatz entschieden?

11. Kontrolliert Ihr Unternehmen die Compliance von CSR im Einkauf Ihrer bestehenden Lieferanten? Wenn nicht, wie stellen Sie Compliance mit Ihren CSR Einkaufsanforderungen sicher? Was ist der Ansatz Ihres Unternehmens um Lieferanten-Compliance zu kontrollieren? Wie hat Ihr Unternehmen über diesen Ansatz der Lieferantenkontrolle entschieden?
 - a. Wie sehen die einzelnen Monitoring-Kontrollen aus?
 - b. Anhand welcher Kriterien / Grundlage werden Lieferanten kontrolliert?
12. Folgt Ihr Unternehmen einem bestimmten Ansatz im Falle von Lieferanten, die nicht compliant sind mit Ihren Anforderungen von CSR im Einkauf?
 - a. Wenn ja, wie sieht der Ansatz aus und wie haben Sie sich für diesen Ansatz entschieden? Betrifft das alle Lieferanten gleichermaßen?
 - b. Wenn nicht, warum, und was macht Ihr Unternehmen stattdessen? Betrifft das alle Lieferanten gleichermaßen?
13. Gibt es weitere Aktivitäten, die Ihr Unternehmen gegenüber Ihren bestehenden Lieferanten ausübt? Wenn ja, welche? Wie hat sich Ihr Unternehmen für diese Aktivitäten entschieden?
14. Wie weit geht Ihre CSR Einkaufsstrategie? Welche / wie viele Lieferanten beinhaltet sie?
 - a. Kategorisiert Ihr Unternehmen hierzu Lieferanten, welche anders behandelt werden?
15. Wie sah der Rollout der CSR Einkaufsstrategie aus in Bezug auf bestehende und potentielle Lieferanten? Sind Sie da einer bestimmten Strategie gefolgt?
 - a. Wurden Lieferanten vorab informiert / vorbereitet über die CSR Einkaufsanforderungen? Wenn ja, wie?
 - b. Wurde der Rollout zeitgleich für alle potentiellen Lieferanten durchgeführt?
16. Wie geht Ihr Unternehmen vor bei der Umsetzung der CSR Einkaufsstrategie in Bezug auf Lieferanten über die Sie nur eine

geringe Kaufkraft haben?

17. Messen Sie in Ihrem Unternehmen den Fortschritt von CSR im Einkauf? Wenn ja, wie? Wenn nein, warum nicht?
18. Werden der Fortschritt oder die Aktivitäten kommuniziert? Wenn ja, an wen? Wie oft?
19. Gibt es einen kontinuierlichen Verbesserungsprozess? Wenn ja, wie sieht er aus?
20. Was waren die Voraussetzungen für die Umsetzung von CSR im Einkauf? Wie wurden die Voraussetzungen erfüllt?
21. Was waren die Hindernisse / Schwierigkeiten bei der Umsetzung von CSR im Einkauf? Wie wurden sie gelöst?
22. Zusammengefasst, wo würden Sie sagen steht Ihr Unternehmen derzeit bei der Umsetzung von CSR im Einkauf und wo wird die Reise in nächster Zeit hingehen?
23. Haben Sie eine persönliche Vision für die Entwicklung von CSR im Einkauf bzw. wie sieht Ihr persönliches optimales Zielbild für CSR im Einkauf aus?
24. Dürfte ich Sie noch um Feedback zu dem Interview bitten? Wie fanden Sie den Interviewablauf? War alles verständlich und logisch?
25. Welche weiteren Informationen würden Sie mir gerne zu dem Thema noch mitteilen? Welche weiteren Fragen würden Sie in meiner Position zusätzlich stellen?

Main study: Translation from German to English

Please note:

“You”, “your firm”, “your organization”, “your company” refer to the employer of the participant.

1. When did your firm implement PSR?
2. How does your firm define PSR?
 - a. According to your organization, what dimensions does PSR contain?
 - b. How did your firm decide upon a specific scope? What tools and sources of information did your firm use to determine it?

3. Did your firm put a specific emphasis on a particular PSR scope / dimensions?
 - a. If yes, why and which dimensions does your firm prioritize?
 - b. If not, why not?
4. What was the motivation / were the drivers and the objective to implement PSR?
5. Does your organization have a PSR strategy in place? If yes, how does it look like? Who and how did your organization define it? What approach did it follow?
 - a. What did your firm base your PSR strategy on?
 - b. Did your firm embed the PSR strategy into a greater strategy?
6. What were the main implementation steps in your organization's PSR implementation? What did your firm start with and what did it end with?
 - a. Did your firm base these steps on a specific implementation guide or how did your firm define these steps?
 - b. What did these steps include?
7. Where did your firm's PSR knowledge come from?
8. Who was responsible for PSR implementation and who is responsible for PSR now? Were these persons informed / prepared for the implementation?
9. Did your firm introduce or adapt anything (e.g. structures, processes, systems) within the organization to implement or maintain PSR? If yes, what did it adapt and why?
10. How does PSR affect your supplier selection process? Why did your firm choose this approach?
11. Does your organization monitor supplier PSR compliance? If not, how does it ensure supplier compliance? What is your organization's approach to monitoring suppliers? How did your organization decide upon the right approach to monitoring supplier performance?
 - a. How does each monitoring activity look like?
 - b. According to which criteria / grounds are suppliers evaluated?
12. Does your firm have an approach to handling supplier non-compliance?
 - a. If yes, how does it look like and how did your organization

decide upon the right approach to handling supplier non-compliance? Is this applicable to all suppliers?

b. If not, why not and what does your firm do instead? Is this applicable to all suppliers?

13. How did your firm's PSR rollout look like for existing and new suppliers? Did your firm follow a specific rollout strategy?

a. Were suppliers informed / prepared about the upcoming PSR requirements? If yes, how?

b. Was the rollout conducted simultaneously for all suppliers?

14. Does your firm have any further buyer-supplier activities in place? What are these? How did your organization decide upon further buyer-supplier activities?

15. In case this has not been explained in the previous questions: How far does your firm's PSR strategy go? Which / how many suppliers does it include? Does your firm have categories of suppliers that you treat differently?

16. Does your firm track its PSR progress? If yes, how? If not, why not?

17. Does your organization communicate PSR progress / activities? If yes, how, to whom?

18. Does your firm have a continuous improvement process in place? If yes, how does this process look like?

19. What were the requirements for the PSR implementation and how did your organization fulfill them?

20. What were the barriers of PSR implementation and how did your company overcome them?

21. In essence, what would you say is the current PSR status of your organization and where is PSR heading to in the near future at your firm?

22. Do you have a personal vision of the optimal PSR scenario and if so, how does it look like?

23. What are the general consequences of PSR implementation in your organization?

Main study: Original German questions

Bitte beachten:

“Sie”, “Ihr / e”, “Ihr Unternehmen” beziehen sich auf den Arbeitgeber des Teilnehmers / der Teilnehmerin.

1. Wann hat Ihr Unternehmen das Thema CSR im Einkauf implementiert?
2. Wie definiert Ihr Unternehmen CSR im Einkauf?
 - a. Welche Elemente beinhaltet die Definition von CSR im Einkauf laut Ihres Unternehmens?
 - b. Wie hat Ihr Unternehmen über den Umfang von CSR im Einkauf entschieden? Welche Instrumente und Informationsquellen haben Sie benutzt um den Umfang festzulegen?
3. Hat Ihr Unternehmen eventuell einen Schwerpunkt auf einen bestimmten Umfang / auf bestimmte Themen / Elemente von CSR im Einkauf gelegt?
 - a. Wenn ja, warum und welche Elemente oder Themen priorisiert Ihr Unternehmen?
 - b. Wenn nicht, wieso nicht?
4. Was war die allgemeine Motivation bzw. was waren die Treiber und Ziele um CSR im Einkauf zu implementieren?
5. Hat Ihr Unternehmen eine CSR Einkaufsstrategie definiert? Wenn ja, wie sieht die Strategie aus? Wer war involviert um die Strategie zu definieren? Wie ist Ihr Unternehmen vorgegangen um diese Strategie zu definieren?
 - a. Auf was basiert die Strategie von CSR im Einkauf?
 - b. Wurde die CSR Einkaufsstrategie auf einer anderen Strategie aufgebaut?
6. Was waren die wesentlichen Implementierungsschritte von CSR im Einkauf? Mit was hat Ihr Unternehmen begonnen und mit was hat es aufgehört im Rahmen der Umsetzung?
 - a. Basieren diese Schritte auf irgendeinem Umsetzungs-Leitfaden bzw. wie wurden diese Schritte definiert?
 - b. Was beinhalteten die einzelnen Umsetzungsschritte?

7. Woher kam das notwendige Wissen zum Thema CSR im Einkauf in Ihrem Unternehmen?
8. Wer war verantwortlich für die Umsetzung von CSR im Einkauf und wer ist heutzutage für das Thema verantwortlich? Wurden diese Personen informiert / vorbereitet auf die Umsetzung?
9. Wurde in Ihrem Unternehmen etwas eingeführt oder angepasst (z.B. Strukturen, Prozessen, Systeme) um das Thema CSR im Einkauf zu implementieren und heutzutage aufrecht zu halten? Wenn ja, was wurde angepasst? Warum?
10. Wie beeinflusst CSR im Einkauf Ihre Lieferantenauswahl? Warum hat sich Ihr Unternehmen für diesen Ansatz entschieden?
11. Kontrolliert Ihr Unternehmen die Compliance Ihrer Lieferanten von CSR im Einkauf? Wenn nicht, wie stellen Sie Compliance mit Ihren CSR Einkaufsanforderungen sicher? Was ist der Ansatz Ihres Unternehmens um Lieferanten-Compliance zu kontrollieren? Wie hat Ihr Unternehmen über diesen Ansatz der Lieferantenkontrolle entschieden?
 - a. Wie sehen die einzelnen Monitoring-Kontrollen aus?
 - b. Anhand welcher Kriterien / Grundlage werden Lieferanten kontrolliert?
12. Folgt Ihr Unternehmen einem bestimmten Ansatz im Falle von Lieferanten, die nicht compliant sind mit Ihren Anforderungen von CSR im Einkauf?
 - a. Wenn ja, wie sieht der Ansatz aus und wie haben Sie sich für diesen Ansatz entschieden? Betrifft das alle Lieferanten gleichermaßen?
 - b. Wenn nicht, warum, und was macht Ihr Unternehmen stattdessen? Betrifft das alle Lieferanten gleichermaßen?
13. Wie sah der Rollout der CSR Einkaufsstrategie aus in Bezug auf bestehende und potentielle Lieferanten? Sind Sie da einer bestimmten Strategie gefolgt?
 - a. Wurden Lieferanten vorab informiert / vorbereitet über die CSR Einkaufsanforderungen? Wenn ja, wie?
 - b. Wurde der Rollout zeitgleich für alle potentiellen Lieferanten durchgeführt?

14. Gibt es weitere Aktivitäten, die Ihr Unternehmen gegenüber Ihren Lieferanten ausübt? Wenn ja, welche? Wie hat sich Ihr Unternehmen für diese Aktivitäten entschieden?
15. Falls nicht vorher beantwortet: Wie weit geht Ihre CSR Einkaufsstrategie? Welche / wie viele Lieferanten beinhaltet sie? Haben Sie Kategorien von Lieferanten, die Sie unterschiedlich behandeln?
16. Messen Sie in Ihrem Unternehmen den Fortschritt von CSR im Einkauf? Wenn ja, wie? Wenn nein, warum nicht?
17. Werden der Fortschritt oder die Aktivitäten kommuniziert? Wenn ja, wie und an wen?
18. Gibt es einen kontinuierlichen Verbesserungsprozess für CSR im Einkauf? Wenn ja, wie sieht er aus?
19. Was waren die Voraussetzungen für die Umsetzung von CSR im Einkauf? Wie wurden die Voraussetzungen erfüllt?
20. Was waren die Hindernisse / Schwierigkeiten bei der Umsetzung von CSR im Einkauf? Wie wurden sie gelöst?
21. Zusammengefasst, wo würden Sie sagen steht Ihr Unternehmen derzeit bei der Umsetzung von CSR im Einkauf und wo wird die Reise in nächster Zeit hingehen?
22. Haben Sie eine persönliche Vision für die Entwicklung von CSR im Einkauf bzw. wie sieht Ihr persönliches optimales Zielbild für CSR im Einkauf aus?
23. Was sind die wesentlichen Konsequenzen für Ihr Unternehmen aus der CSR Umsetzung im Einkauf?

End study: Original German questions

Bitte beachten:

“Sie”, “Ihr / e”, “Ihr Unternehmen” beziehen sich auf den Arbeitgeber des Teilnehmers / der Teilnehmerin.

1. Relevanz der Studie
 - a. Wie relevant ist Ihrer Meinung nach diese Studie und warum?
 - b. Wie relevant ist diese Studie in Bezug auf Ihren Berufsalltag?

2. Forschungsansatz

- a. Wie beurteilen Sie den gesamten Forschungsansatz?
- b. Was hätten Sie anders gemacht?

3. Ergebnisse der Vor- und Hauptstudie

- a. Was halten Sie von den Vorstudien- und Hauptstudienresultaten?
- b. Welche Resultate gelten für Ihr Unternehmen oder die Unternehmen, die Sie beraten? Welche Resultate gelten nicht?
- c. Welchen Resultaten stimmen Sie zu und welchen nicht? Welche sind für Sie irrelevant? Welche sind neu für Sie?
- d. Welche Aspekte fehlen in den Resultaten und im vorläufigen Strategic PSR Implementation Framework?

4. Generalisierbarkeit der Vorstudien- und Hauptstudienresultate

- a. Wie beurteilen Sie die Generalisierbarkeit der Resultate?

5. Allgemeine Bemerkungen

- a. Was sind Ihrer Meinung nach die Stärken und Schwächen dieser Studie?
- b. Welche Aspekte oder Bereiche dieser Studie sollten durch Forschung weiter untersucht werden?

Glossary

| | |
|---------|--|
| AA 1000 | AccountAbility 1000 |
| BSCI | Business Social Compliance Initiative |
| CFP | Corporate financial performance |
| CSP | Corporate social / environmental performance |
| CSR | Corporate Social Responsibility |
| E.g. | For example |
| EMAS | Eco-Management and Audit Scheme |
| Etc. | Etcetera |
| EU | European Union |
| GOTS | Global Organic Textile Standard |
| GRI | Global Reporting Initiative |
| ILO | International Labor Organization |
| Incl. | Including |
| ISO | International Organization for Standardization |
| KPI(s) | Key Performance Indicator(s) |
| MNC(s) | Multinational corporation(s) |
| NGO(s) | Non-governmental organization(s) |
| OECD | Organisation for Economic Co-operation and Development |
| PSR | Purchasing Social Responsibility |

| | |
|---------|-------------------------------------|
| SA 8000 | Social Accountability 8000 |
| SEDEX | Supplier Ethical Data Exchange |
| SME | Small or Medium Enterprise |
| SMETA | Sedex Members Ethical Trade Audit |
| SSCM | Sustainable Supply Chain Management |
| UN | United Nations |
| WWF | World Wildlife Fund |

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